

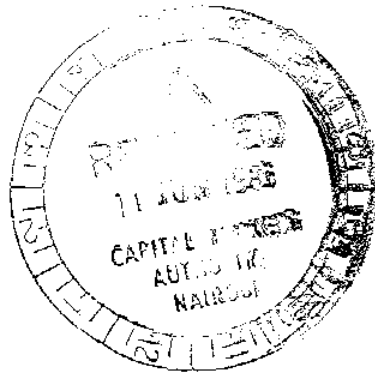
PAN AFRICA
INSURANCE
COMPANY LIMITED



ANNUAL REPORT
AND ACCOUNTS
1995

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A18
P36
1995
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ANNUAL REPORT AND ACCOUNTS 1995

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President
Chief Executive
Legal Affairs
Market Supervision
Research & Development Manager
Asst. Manager Human Resources
and Administration
Ag. Asst. Manager
Market Supervision
Ag. Asst. Manager
Legal Affairs
Sr. Human Resources
& Administration Officer
Accountant

ABBREVIATION

CE
LAM
MSM
RDM
AM/HRA
AG. AM/MS
AG. AM/LA
SHRAQ



H9
8723.4
A18
R36
1995
C2

1. Pan African Insurance Company Ltd -- Kenya -- Periodicals
2. Insurance Law -- Kenya -- Periodicals

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2007/0592





F. T. NYAMMO



D. K. NGINI



J. G. KIBE



A. A. A. EKIRAPA
CHAIRMAN



D. N. GACHUCHE



D. M. MUTISO



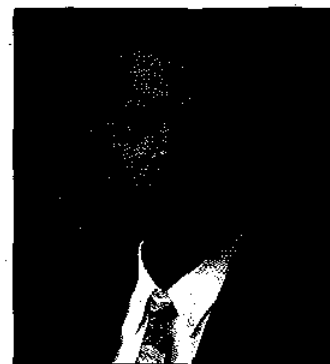
S. M. ETHANGATTA



M. W. MUIGAI (MRS.)



W. OLOTCH
MANAGING



J. M. KITURI



The Company Chairman, Mr. A. A. A. Ekirapa (centre), the Managing Director, Mr. W. Olotch and a guest chat over a drink during a party held at the Eldoret Club to mark the move to more spacious premises for the Company's Eldoret Branch.



Mr. Ekirapa signs the visitor's book at the Eldoret Club.



Mr. Ekirapa (standing), addresses guests during the party. Seated left to right are the General Manager (General Business), Mr. S. J. Njoroge, the Company Secretary, Mr. S. M. Muhia, and the Eldoret Area Marketing Manager, Mr. S. Rono.

Branch offices:

Mombasa: Ambafal House,
Nkrumah Road,
P. O. Box 90383,
Tel: 225582,
Telex: 21011,
Fax: 223622,
Mombasa.

Kisumu: Wedco Centre,
Oginga Odinga Road,
P. O. Box 1884,
Tel: 41899,
Fax: 22716,
Kisumu.

Nyeri: Mbaki House,
Gakere Road,
P. O. Box 618,
Tel: 2073,
Fax: 4720,
Nyeri.

Meru: Kenya Finance House,
Tom Mboya Street,
P. O. Box 1329,
Tel: 20436,
Fax: 20336,
Meru.

Eldoret: K.V.D.A. Plaza,
Oloo/Utalii Street,
P. O. Box 596,
Tel: 33072,
Fax: 62680,
Eldoret.

Kisii: Shabana Building,
P. O. Box 288,
Tel: 20480,
Fax: 31049,
Kisii.

Subsidiary Companies:

General Insurance Business:

Mae Properties Limited
Runda Water Limited

Consulting Actuaries:

Hymans Robertson & Co.
London

Bankers:

Kenya:

Commercial Bank of Africa Ltd.
Bank of Baroda Ltd.
Barclays Bank of Kenya Ltd.
Kenya Commercial Bank Ltd.
Standard Chartered Bank Kenya Ltd.
Banque Indosuez Ltd.
Kenya Finance Bank Ltd.

Tanzania:

National Bank of Commerce Ltd.

Auditors:

Coopers & Lybrand,
P. O. Box 30158,
Nairobi.



Notice is hereby given that the Annual General Meeting of Pan Africa Insurance Company Limited will be held on 28th June, 1996 at the New Stanley Hotel Nairobi, at 12.00 noon to transact the following business:

1. To confirm the Minutes of the Annual General Meeting held on 30th June, 1995.
2. To receive the audited accounts for the year ended 31st December, 1995 and the Report of the Chairman and Directors.
3. To approve the payment of a first and final dividend of Shs. 17.5 million being 35% of the issued share capital.
4. To elect Directors.
5. To appoint Auditors and authorise the Directors to fix their fees for the following year.
6. That members consider and if found fit, approve the increase of the benefit to the Company's Directors under their loan scheme from Kshs. 2.5 million to Kshs. 4.0 million per Director
7. To transact any other business with the permission of the Chair.

Registered Office:
Pan Africa House,
Kenyatta Avenue,
P. O. Box 62551,
Nairobi

By Order of the Board,
S. M. Muhia
Secretary

14 May, 1996

Note:

A shareholder entitled to attend and vote may appoint a proxy who need not be a member of the Company, to attend and vote on his or her behalf.

A detachable form of proxy is provided at the end of this report for this purpose. To be valid, the duly completed and signed proxy form should be deposited or received at the Registered Office not later than 48 hours before the meeting starts.



Ilani inatolewa kwamba mkutano mkuu wa kampuni ya Pan Africa Insurance Company Limited utafanyika katika New Stanley Hotel Nairobi, siku ya Ijumaa, Juni 28, 1996 saa sita mchana kujadili mambo yafuatayo:-

1. Kuthibitisha kumbukumbu za mkutano wa mwaka uliofanywa mnamo tarehe Juni 30, 1995.
2. Kupokea taarifa ya hesabu ya pesa kwa mwaka uliomalizika tarehe 31 Desemba, 1995 pamoja na taarifa ya Mwenyekiti na wakurugenzi.
3. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa shilingi 17.5 milioni hiyo ikiwa ni asilimia 35% ya hisa ya mtaji.
4. Kuwachagua wakurugenzi na kuamua malipo yao.
5. Kuwateua wakaguzi-hesabu na kuwaidhinisha wakurugenzi waamue malipo yao.
6. Kuhithimisha nyongeza ya mkopo unaopewa wakurugenzi wa kampuni kutoka shilingi 2.5 milioni hadi shilingi 4.0 milioni kwa kila mkurugenzi.
7. Kujadili mambo mengine yoyote yatakayotolewa kwa idhini ya Mwenyekiti.

Ofisi Kuu:
Pan Africa House,
Kenyatta Avenue,
S.L.P. 62551,
Nairobi

Kwa Amri ya Halmashauri
S. M. Muhia
Katibu

14 Mei, 1996

Maelezo:

Mwenye hisa aliye na haki ya kuhudhuria mkutano na kupiga kura anaweza kuteua Mwakilishi ambaye si lazima awe mwanachama wa kampuni kuhudhuria na kupiga kura kwa niaba yake.

Fomu ya kuondolewa ya Mwakilishi imetolewa mwishoni mwa ripoti hii kwa ajili hiyo. Ili iwe halali fomu ya Mwakilishi iliyojazwa na kutiwa sahihi inapaswa kupelekwa ama kupokewa katika ofisi ya kampuni iliyoandikishwa muda usiopungua masaa 48 kabla ya Mkutano kuanza.



In my report to shareholders last year, I referred to the Government's commitment to complete economic liberalisation and said that this would ensure investor confidence and a steady growth of the economy. Today, I would like to congratulate the Government for fulfilling its promise of completely liberalising the economy. The results of bold, decisive actions on the part of the Government's fiscal managers are there for all to see. Inflation has been reduced to single digit figures and the exchange rates have largely stabilised; while Gross Domestic Product (GDP) is estimated to have grown by 5% up from 3% in 1994. I have no doubt that providing the Treasury and the Central Bank of Kenya maintain and can continue to enforce discipline in the management of the national economy, Kenya will return quickly to the good old days of rapid economic growth, in which the business community can once more invest with full confidence. Your Company intends to take full advantage of the economic growth that must follow good but sustained monetary policies.

Regrettably, the country's political theatre has not been blessed with the same good fortunes as with the economy's. Politicians from all shades of the spectrum have not yet seen the need to create a stable political environment for business to flourish. Political in-fighting and inter-party rivalries seem to dominate every aspect of our political lives, and this is likely to continue or even worsen in the run-up to the General Elections in 1997. One can only hope that our politicians will borrow a leaf from their counterparts in Tanzania and Uganda and stop believing that life is all about destructive politics. They must begin to discuss the real issues that impede our national advancement towards stated economic goals.

However, following on the measures introduced by your Board some three years ago, your Company is now well placed to meet any challenges that lie ahead. Our Shareholders can look to the future of their investment at Pan Africa with full confidence.

COMPANY PERFORMANCE

NON-LIFE BUSINESS

The Company recorded a gross premium income of Kshs. 432 million in general business as compared to Shs. 392 million the previous year, representing a growth of slightly more than 10%. The growth was unfortunately below our target of 40% for the year. While on a gross basis the performance of the Company was rather dismal, significant growth was realised in the net retained account, which grew by 62.5%, from Kshs.151 million to Kshs. 247 million. Two factors account for this development, namely, the improved retention in most classes of business and the fact that while one major account with a premium income of about Kshs.50 million was not renewed, the Company's retention on the account due to the nature of the business, was insignificant. It is also important to note that the growth in gross premium income was suppressed by the loss of the account.

The Company continued to experience an underwriting loss particularly on its motor and liability accounts, which accounted for the bulk of the underwriting loss made during the year, of Kshs. 22.4 million. The Board of Directors, as previously reported, directed management to minimise acceptance of high risk passenger carrying vehicles since 1993 but unfortunately, motor third party cases take a long time to settle and our results are still being adversely affected by losses that occurred in earlier years. Theft of motor vehicles also continues to be a national problem and during the year, the Company suffered a loss of 43 vehicles through thefts; 17 of these were recovered. Though the motor account registered an overall loss, a small underwriting profit of Kshs.552,428 was realised in the private motor vehicle account, as compared to a loss of Kshs. 11.68 million, the previous year. Losses in motor insurance pose a threat to the financial stability of the industry and it is my hope that the Government will institute measures to contain the losses to a reasonable level. Of particular concern to the industry, is the level of court awards which are ever increasing. Various recommendations have been made to the Government by the industry, such as the introduction of a structured compensation scheme, which would enable insurers to determine more accurately their losses and hopefully, charge an adequate premium to be able to turn the account to at least a break even position.

LIFE BUSINESS

The Company's life account recorded a premium income of Kshs. 93.2 million on a gross basis as compared to Kshs. 74.5 million in 1994. The net premiums were Kshs. 88,576,773 and Kshs. 71,502,641 respectively. The account grew by 24% as compared to only 7% growth the previous year. In my statement last year, I observed that life business was receiving special attention with the view to improving performance. I am pleased to report that efforts made in this connection have started to show positive results. It is expected that the account will henceforth be showing higher growth rates than experienced in the past.

Our consulting actuaries carried out a valuation of the life fund for the triennial period ending on the 31st of December 1995. Following this, I am pleased to announce that the life fund now stands at Kshs. 727 million compared to Kshs. 438 million previously. As a result, the actuaries have recommended a reversionary bonus payable to all with profit policyholders under individuals whole life and endowment assurances, at a rate of 5% of the sum assured.



GROWTH OF ASSETS AND SHAREHOLDERS' FUNDS

Group assets grew from Kshs. 1.5 billion to Kshs. 2.3 billion during the year mainly following revaluation of the Company's assets and those of its subsidiaries. Shareholders' funds on the other hand increased from Kshs. 531 million to Kshs. 1 billion. The size of assets, shareholders' funds and the life fund make your Company one of the leaders in the insurance industry in the country.

PERFORMANCE OF THE SUBSIDIARY COMPANIES

The Company's subsidiary companies, Mae Properties Limited and Runda Water Limited contributed a pre-tax profit of Kshs. 7 million to the Group Accounts compared to the previous year's profit of Kshs. 48 million. The lower profits were mainly due to reduced acreage under coffee by 35% from 252 acres in 1994 to 181 acres in 1995. In addition, there was a decline in coffee prices of 20% from US\$ 180 to US\$ 150 per 50Kg bag. Phase IV of the on going Runda project was also developed during the year at a cost of Kshs. 31,182,562 an expense that has been fully charged to the accounts. The development is expected to generate Kshs. 90 million in profits which due to the accounting policies adopted by Mae, has not been brought into the current accounts. 1996 accounts will benefit from these transactions which have already been concluded. For the information of shareholders, I would like to clarify that while sales of plots have been made and some deposits amounting to Kshs. 47,567,808 paid by those to whom plots have been allotted, sale proceeds received other than full payments are recorded as debts owing to the eventual purchasers. The accounting policies involved are under review and the position is likely to change in 1996 financial year.

RESULTS

Pan Africa Insurance Company Limited achieved an investment income of Kshs. 88.7 million and consequently the pre-tax profit realised by the Company for the year was Kshs. 65.5 million, an increase of 23% over the previous year's result of Kshs. 53.23 million. The investment income could have been more had it not been for the heavy investments from internal sources, in office renovation at the head office and at two of the branch offices. The Company also invested substantial amounts of money in computerisation, again from internal sources.

However, the retention of a large amount of cash in the subsidiary companies as a result of the current accounting policies I have referred to above adversely affected the Group results for the year from Kshs. 57.1 million in 1994 to Kshs. 24.4 million. This position will be reversed next year.

DIVIDENDS

Your Board recommends a dividend of KShs. 17.5 million, which is a 35% return on the increased paid-up share capital of KShs. 50.0 million. The Board wishes to retain the surplus earnings in the Company to finance major refurbishment works planned for 1996. These include:

- a) Rehabilitation of electrical system in Ambalal House, Mombasa.
- b) Rehabilitation of electrical system in Uniafric House, Nairobi.
- c) Installation of a stand-by generator in Pan Africa House, Nairobi.
- d) Repair and painting of Pan Africa Insurance Arcade in Hurlingham and the recarpeting of the car park at the premises.

These planned refurbishment works will, on completion, considerably enhance the values of and incomes from these properties, resulting in further strengthening of your Company's income and Balance Sheet.

CONCLUSION

Finally, I would like to express my appreciation to my fellow Directors for the very considerable amount of time they spent in the Company during the year, especially attending meetings of the Sub-Committees of the Board appointed to deal with specific activities of your Company. The new management has settled in and their improved performance can be seen in the results I have just announced. I thank them for this. They will, however, be set much higher targets in the future years.

The support we have received from our Policy-holders, Agents, Brokers as well as our own shareholders contributed immensely to our success. I thank them for their continued support.

A. A. A. EKIRAPA
CHAIRMAN



Katika ripoti yangu ya mwaka jana kwa wenye hisa, nilizungumzia kujitolea kwa Serikali katika jitihada za kuimarisha uhuru wa kiuchumi na nikasema kwamba juhudi hizi zitaongeza imani ya wafanya biashara na kuhakikisha maendeleo dhabiti ya kiuchumi. Leo ningependa kuishukuru Serikali kwa kutimiza ahadi yake ya kuhurisha uchumi kabisa. Matokeo ya hatua dhabiti na dhahiri kwa upande wa viongozi wa kiuchumi wa Serikali yanaonekana wazi wazi. Kiwango cha gharama ya maisha kimepunguzwa kufika chini ya asili mia kumi na viwango vya ubadilishaji wa fedha umedhibitiwa kwa kiasi kikubwa. Wakati huo huo, mapato ya jumla ya inchi yanakisiwa kuwa yameongezeka hadi asilimia tano kutoka asili mia tatu mwaka wa 1994. Sina shaka kwamba iwapo Afisi ya Hazina ya Serikali na Banki Kuu ya Kenya zitaendelea kuhakikisha kuwa kuna nidhamu katika uendelezaji wa uchumi wa kitaifa, basi Kenya itarejea haraka katika maendeleo imara ya kiuchumi ya miaka iliyopita, na wafanya biashara wanaweza kuanzisha na kuendeleza biashara zao zaidi kwa imani kamili. Kampuni yenu inanua kuchukua nafasi hii ili kunufaika kikamilifu na ukuaji wa kiuchumi ambao utaletwa na sera nzuri na dhabiti za kifedha.

Kwa bahati mbaya, uwanja wa kisiasa wa inchi hii hauna baraka na matarajio mema kama ilivyo katika uchumi. Wanasiasa wa pande zote hawajafahamu haja ya kubuni mazingira dhabiti ya kisiasa kuwezesha biashara istawi. Mizozano na uhasama baina ya vyama vya kisiasa unaingilia kila kipengele cha maisha yetu ya kisiasa. Inaonekana kwamba hii mizozano itaendelea au hata kuwa mikali zaidi tunapokaribia Uchaguzi Mkuu wa mwaka 1997. Tunaweza tu kutarajia kwamba wanasiasa wetu watafuata mfano wa wenzao katika inchi za Tanzania na Uganda na wakome kutenda kana kwamba maisha yanahusu siasa za vurugu tu.

Sharti waanze kujadili maswala mahsusi ambayo yanatatiza maendeleo ya kitaifa yatakayotuwezesha kufikia malengo ya kiuchumi yaliyowekwa.

Hata hivyo, kufuatia hatua zilizoanzishwa na halmashauri yenu miaka mitatu iliyopita, kampuni yenu sasa ina nafasi nzuri zaidi ya kukabiliana na vikwazo vyovyote vilivyo mbele yake. Wenye hisa wetu sasa wanaweza kuwa na matarajio mema kwa rasilmaili yao kwa imani kamili.

UTENDAJI WA KAMPUNI

BIASHARA YA BIMA ZISIZO ZA MAISHA

Kampuni yenu ilipata pato la jumla ya shilingi milioni 432 katika biashara ya jumla, ikilinganishwa na pato la shilingi milioni 392 ya mwaka uliotangulia. Mapato haya yanawakilisha ukuaji wa zaidi ya asili mia kumi. Ukuaji huu kwa bahati mbaya haukufikia lengo letu la asili mia 40 kwa mwaka. Ingawa ukuaji wa kampuni katika kiwango cha jumla ulikuwa mdogo, ukuaji mkubwa ulipatikana katika akiba ya faida halisi iliyohifadhiwa, ambayo ilikua kwa asili mia 62.5 kutoka shilingi milioni 151 hadi shilingi milioni 247. Ukuaji huu ulisababishwa na sababu mbili muhimu. Moja ni uhifadhi wa aina nyingi za biashara na pili, ni kweli kwamba ingawa akiba kuu yenye mapato ya zaidi ya kama shilingi milioni 50 haikuendelezwa, kuhifadhi akiba hiyo kwa kampuni kwa sababu ya biashara hakukuwa na umuhimu. Ni muhimu pia kufahamu kwamba ukuaji wa mapato ya faida ya jumla ulipunguzwa na kutoendelea kuhifadhi akiba hiyo.

Kampuni iliendelea kupata hasara ya udhamini, hasa katika akiba za bima za magari na dhamana ambayo ilihusisha kiasi kikubwa cha hasara ya udhamini iliyopatikana mwaka huo ya shilingi milioni 22.4. Halmashauri ya wakurugenzi, kama ilivyoriipotiwa hapo awali, iliagiza kamati ya uongozi ipunguze kukubali bima za magari ya abiria yenye hatari kubwa ya kupata ajali kutoka mwaka wa 1993, lakini kwa bahati mbaya, kesi zinazohusu bima za magari zinazohusu mhusika wa tatu zinachukua muda kuamuliwa na mapato yetu yanaendelea kuadhiirwa vibaya na hasara zilizotokea miaka iliyopita.

Wizi wa magari pia unaendelea kuwa tatizo la kitaifa na katika mwaka uliopita, kampuni ilipata hasara kutokana na wizi wa magari 43 yaliyowekewa bima. Kati ya haya, 17 yalipatikana. Ijapokuwa akiba ya bima za magari ilipata hasara kwa jumla, faida ndogo ya magari ya kibinafsi ya shilingi 552,428 ilipatikana ikilinganishwa na hasara ya shilingi milioni 11. 68 mwaka uliotangulia. Hasara kutokana na bima za magari ni tisho kwa udhabiti wa kifedha katika biashara hii, na ni matumaini yangu kwamba Serikali itachukua hatua kupunguza hasara hizi kufikia kiwango kinachokubalika. Jambo moja linalotubabisha katika biashara hii ni fidia zinazotolewa na mahakama ambazo zinaendelea kuongezeka. Mapendekezo kadha yametolewa kwa Serikali na makampuni ya bima, kama vile kubuni utaratibu wa fidia ambao utawawezesha wadhamini kuamua kwa usahihi zaidi hasara zao na inatumainiwa kuwa wataweza kulipisha ada za bima za kutosha kuwawezesha kufanya akiba hii ijdhibiti.

BIASHARA YA BIMA ZA MAISHA

Akiba ya kampuni ya bima za maisha ilipata pato la shilingi 93.2 katika kiwango cha jumla ikilinganishwa na shilingi milioni 74.5 katika mwaka wa 1994. Akiba hii ilikua kwa asilimia 24 ikilinganishwa na asilimia 7 katika mwaka uliotangulia. Katika taarifa yangu ya mwaka jana, nilisema kwamba biashara ya bima za maisha ilikuwa inatiliwa mkazo maalum kwa lengo la kuimarisha. Nina furaha kuripoti kwamba juhudi zilizofanywa kuhusu biashara hii zimeanza kudhihirisha matokeo mazuri. Inatarajiwa kwamba biashara hii itaendelea kukua kwa viwango vya juu zaidi kuliko mwaka jana. Washauri wetu wa uhasibu wamefanya makadirio ya akiba ya bima za maisha kwa kipindi cha miaka mitatu kilichomalizika tarehe 31 Desemba, 1995. Kufuatana na haya, nina furaha kutangaza kwamba akiba ya bima za maisha sasa ina shilingi milioni 727 ikilinganishwa na milioni 438 ya hapo awali. Kutokana na hayo, washauri wetu wamependekeza malipo ya marupurupu ya marudio kwa kila mwenye hati ya bima yenye faida chini ya mpango wa malipo baada ya muda kamili wa bima na malipo baada ya muda maalum ya asili mia tano ya kiasi cha bima.



UKUAJI WA RASILMALI NA AKIBA YA WENYE HISA

Rasilimali ya kampuni ilikua kutoka shilingi bilioni 1.5 hadi bilioni 2.3 katika mwaka huo. Ukuaji huo kwa jumla ulidhihirika baada ya utadmini wa rasilimali za kampuni na zile za makampuni yake madogo. Akiba ya wenye hisa kwa upande mwingine iliongezeka kutoka shilingi milioni 531 hadi bilioni moja. Ukubwa wa rasilimali, akiba ya wenye hisa na akiba ya bima za maisha unafanya kampuni yetu kuwa moja kati ya zile zinazoongoza katika biashara ya hisa humu inchini.

UTENDAJI WA MAKAMPUNI MADOGO YA PAN AFRICA

Makampuni madogo ya kampuni hii, yaani Mae Properties Limited na Runda Water Limited, yalichangia faida kabla ya kulipa kodi kwa kiasi cha milioni saba katika akiba kuu ikilinganishwa na faida ya mwaka uliotangulia ya shilingi milioni 48. Kupunguka huku kwa faida kwa kiasi kikubwa kulisababishwa na kupunguzwa kwa shamba la kahawa kwa asilimia 35 kutoka ekari 252 mwaka wa 1994, hadi ekari 181 mwaka wa 1995. Aidha, kulikua na kupungua kwa bei ya kahawa kwa asili mia 20 kutoka dola za Kimarekani 180 hadi 150 kwa kila gunia la kilo 50. Hawamu ya tano ya mradi unaoendelea wa Runda pia ulianzishwa mwaka huo kwa gharama ya shilingi 31,182,562. Pesa hizi zilitoka katika akiba kuu. Mradi huu unatarajiwa kuzalisha shilingi milioni 90 kama faida ambayo kulingana na sera za uhasibu zilizozingatiwa na Mae, bado haijaingizwa katika akiba kuu.

Akiba za mwaka wa 1996 zitanufaika kutokana na shughuli hizi ambazo tayari zimekamiliika. Ili wenye hisa wafahamu vizuri, ningependa kufafanua ya kwamba ingawa viwanja (ploti) vimeuzwa na malipo ya kwanza yapatayo shilingi 47,567,808 yamefanywa kwa waliogawiwa ploti, mapato ya malipo yaliyo pokelewa mbali na malipo kamili yamerekodiwa kama madeni ya wanunuzi. Sera za uhasibu zinazohusika zinachunguzwa na hali hii inaweza kubadilika katika mwaka wa matumizi ya fedha wa 1996.

MATOKEO

Kampuni ya bima ya Pan Africa ilifikia mapato ya rasilimali ya shilingi milioni 88.7 na kwa hivyo kampuni ilipata shilingi milioni 65.5 kama faida kabla ya kodi. Hili ni ongezeko la asilimia 23 juu ya faida ya mwaka uliotangulia ya shilingi milioni 53.23. Mapato ya rasilimali yangekua zaidi kama si matumizi mengi kutokana na mapato ya ndani. Matumizi haya yalikusisha marekebisho ya ofisi kuu na ofisi mbili za matawi. Hali kadhalika, kampuni ilitumia kiasi kikubwa cha pesa kuweka mitambo ya kompyuta kutoka mapato ya ndani. Hata hivyo, kuhifadhi kiasi kikubwa cha pesa katika kampuni ndogo kulitokana na sera za uhasibu nilizotaja hapo awali, na kumeadhiri faida ya kampuni kutoka milioni 57.1 katika mwaka wa 1994 hadi milioni 24.4 mwaka uliopita. Hali hii itabadilishwa mwaka ujao.

MGAO WA FAIDA

Halmashauri yenu imependekeza mgao wa faida wa shilingi milioni 17.5 ambayo ni asilimia 35 ya faida ya ongezeko la rasilimali ya hisa zilizolipwa za shilingi milioni 50. Halmashauri inanua kuhifadhi faida ya ziada katika kampuni ili kugharamia kazi muhimu ya marekebisho yaliyopangwa mwaka wa 1996. Yanahusu:

- A) Marekebisho ya mitambo ya umeme katika jengo la Ambalal, Mombasa.
- B) Marekebisho ya mitambo ya umeme katika jengo la Uniafric, Nairobi.
- C) Kuweka jenereta ya kutoa umeme katika jengo la Pan Africa, Nairobi.
- D) Kurekebisha na kupaka rangi jengo la Pan Africa Insurance Arcade lililoko Hurlingham na kutengeneza upya uwanja wa kuegesha magari wa jengo hilo.

Baada ya kazi hizi za marekebisho kukamilika, zitaridhisha thamani na mapato ya mali hii na hivyo kuimarisha mapato na daftari ya hesabu ya kampuni yenu.

HITIMISHO

Mwisho kabisa, ningependa kutoa shukrani zangu kwa wakurugenzi wenzangu kwa muda mwingi walioutumia katika shughuli za kampuni mwaka uliopita, hasa kuhudhuria mikutano ya kamati ndogo za halmashauri zinazochaguliwa kushughulikia harakati maalum za kampuni. Kundi mpya la uongozi limeshibiti kazi barabara na kufanikiwa kwao kunaweza kuonekana katika matokeo niliyoyatangaza. Nawashukuru sana sana kwa kazi hii nzuri. Hata hivyo, watawekewa malengo ya juu zaidi katika miaka iliyayo. Kufaulu kwetu kumetokana kwa kiasi kikubwa na kuungwa mkono barabara na wenye bima wetu, maajenti, madalali, pamoja na wenye hisa. Nawashukuru wote kwa mchango wao.

A.A.A. EKIRAPA
MWENYEKITI

DIRECTORS:

A. A. A. Ekirapa (Chairman)
 W. Olotch (Managing)
 F. T. Nyammo
 D. M. Mutiso
 D. K. Ngini
 D. N. Gachuche
 M. W. Muigai (Mrs)
 J. M. Kituri
 J. G. Kibe
 S. M. Ethangatta

SECRETARY:

S. M. Muhia

RESULTS:

1. The Directors have pleasure in submitting their report with the audited accounts for the year ended 31st December, 1995.
2. The consolidated profit for the year and the appropriation thereof are set out in the profit and loss account.

DIVIDENDS:

3. The Directors recommend the payment of Shs. 17,500,000 being the first and final dividend for the year.

DIRECTORS:

4. In accordance with the Company's Articles of Association, Messrs F. T. Nyammo, D. K. Ngini and M. W. Muigai (Mrs) retire by rotation and being eligible, offer themselves for re-election.

AUDITORS:

5. The Auditors, Coopers & Lybrand, being eligible offer themselves for re-appointment in accordance with the provisions of section 159 (2) of the Companies Act (Cap. 486).

By Order of the Board,
S. M. Muhia
Secretary





We have audited the accounts set out on pages 14 to 32. The accounts of the Company set out on pages 17 to 22 and page 25 are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the Company's and the Group's state of affairs and the Group's profits. Our responsibility is to express an independent opinion on the accounts based on our audit and report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Kenya Auditing Standards. The standards require that we plan and perform our audit to obtain reasonable assurance that accounts are free from material misstatement. An audit includes an examination on a test basis, of evidence supporting the amounts and disclosures in the accounts. 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 accounts.

OPINION

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1995 and of the profit of the Group and cashflows of the general insurance business of the Company for the year then ended and comply with the Companies Act (CAP. 486).

Coopers & Lybrand
Certified Public Accountants of Kenya
Nairobi, Kenya

31 May, 1996

The accounts are prepared in accordance with the historical cost convention, including the revaluation of certain of the Group's fixed assets and investments. The following is a summary of the more important accounting policies used:

(A) BASIS OF CONSOLIDATION:

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiaries made up to the end of the financial year. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition to the date of their disposal. The excess of the purchase price over the value of the net tangible assets of subsidiary companies is written off against reserves. Inter-group transactions are eliminated on consolidation and all profit figures relate to external transactions only.

(B) UNDERWRITING RESULTS:

(I) GENERAL INSURANCE BUSINESS:

The underwriting results are determined after taking into account, inter alia, unearned premiums and outstanding claims.

Unearned premiums represent that portion of the premium written in periods up to the accounting date which are attributable to subsequent periods. The amount is calculated as follows:

Direct Business: Using the 1/24ths basis.

Inward Business:

(except the Kenya Motor Insurance Pools) Using 1/8ths basis.

Kenya Motor Insurance Pools: The company's share of the provision set up in the Motor Pool's accounts.

Outstanding claims represent claims arising from incidents occurring prior to the accounting date but not settled at that date computed on the basis of the best information available at the time the records for the year are closed.

(II) REINSURANCE INWARDS:

Reinsurance inwards is accounted for on the basis of the first four quarters returns received within the year. Where inevitable delays are experienced in receiving information, an estimation is made on the basis of the information available in order to account for four quarters.

(III) KENYA MOTOR INSURANCE POOLS:

Results of the company's share of the two Kenya Motor Insurance Pools are accounted for in the revenue accounts in accordance with the Pool's accounting year which runs from October to September of the following year. As a result, the Pool's result for the 4th quarter of the company's accounting year are accounted for in the subsequent year. A proportion of the company's management expenses is charged to the Pools' revenue accounts on the basis of the percentage of the Pools' contribution to the total direct business.



(IV) LONG TERM INSURANCE BUSINESS:

An investigation into the financial position of the life fund is carried out periodically by the company's Consulting Actuaries. Surpluses arising are allocated by the directors with the advice of the Actuaries and in accordance with the Articles of Association to policy-holders' bonuses and profit and loss account. Any balance remaining is carried forward in the General Fund.

Premiums are accounted for on a basis which approximate to a pre-debit method of accounting as adjusted for estimated lapses.

(C) INVESTMENT INCOME:

Investment income comprises interest, rent and dividends receivable. The investment income is stated after deducting the related property and management expenses.

(D) 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 net of commission receivable in respect of reinsurance business ceded.

Direct expenses in respect of the claims department are charged directly to claims incurred, for general insurance business.

Certain expenses of the general insurance business are not allocated but are charged directly to the profit and loss account.

(E) DEPRECIATION:

Depreciation is calculated to write off the cost or valuation of fixed assets over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

	%	Basis
Buildings in a subsidiary company	5.0	Reducing balance
Motor vehicles	25.0-37.5	Straight line
Furniture, fittings, plant and equipment	12.5-20.0	Straight line

(F) INVESTMENTS:

Investments are stated at the following values:

- (i) Mortgages and other loans - at redemption values.
- (ii) Freehold and leasehold properties in parent Company - at open market values determined by the directors and as confirmed by periodic professional valuations. Depreciation is only charged on leasehold properties if the unexpired period of lease is 20 years or less.



- (iii) Quoted stocks and shares - at market value.
- (iv) Government securities - at redemption values. Any unearned discount is included in creditors and credited to income over the period of issue.
- (v) All other investments - at the lower of cost or directors' valuation.

Unrealised gains or losses arising from the valuation of investments are shown as:

- (i) General insurance business - movements in investment fluctuations reserve, unless the reserve is insufficient to cover a deficit in which case the excess is charged to the profit and loss account.
- (ii) Long term insurance business - dealt with in the revenue accounts.

(G) LAND AND DEVELOPMENT:

Land and development, which relates to a subsidiary company, is stated at open market value, infrastructure costs are written off as and when incurred.

(H) STOCKS:

Stocks, comprising mainly coffee held by a subsidiary company, are valued at the lower of cost and net realisable value. Cost is determined using average production costs based on total direct production costs incurred during the year.

(I) FOREIGN CURRENCIES:

Assets and liabilities expressed in foreign currencies are translated to Kenya shillings at the rate of exchange ruling at the year end. Differences arising on translation are charged to the long term insurance business revenue account in respect of the long-term business and profit and loss account in respect of the general insurance business.

(J) DEFERRED TAXATION:

Provision is made at the rate ruling at the year end for any deferred taxation liability arising except in respect of taxation on timing differences which can reasonably be expected to continue to be deferred for the foreseeable future.

(K) PROVISION FOR BAD AND DOUBTFUL DEBTS:

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1995

		1995	1995	1994	1994
		Group	Company	Group	Company
		Shs.	Shs.	Shs.	Shs.
	Note				
INCOME					
Investment income		53,654,348	88,654,348	60,351,526	60,351,526
Subsidiaries' profits before taxation		6,966,510	—	48,431,402	—
		<u>60,620,858</u>	<u>88,654,348</u>	<u>108,782,928</u>	<u>60,351,526</u>
TOTAL INCOME					
OUTGOINGS					
Loss transferred from General insurance revenue accounts		(22,449,324)	(22,449,324)	(22,351,141)	(22,351,141)
(Expenses)/ income not charged to other accounts		(705,799)	(705,799)	202,341	202,341
		<u>(23,155,123)</u>	<u>(23,155,123)</u>	<u>(22,148,800)</u>	<u>(22,148,800)</u>
TOTAL OUTGOINGS					
Profit before taxation	1	37,465,735	65,499,225	86,634,128	38,202,726
Provision for taxation	4	(12,993,691)	(10,028,854)	(27,050,986)	(11,879,101)
Drought levy		—	—	(2,430,846)	(1,347,140)
		<u>24,472,044</u>	<u>55,470,371</u>	<u>57,152,296</u>	<u>24,976,485</u>
Profit after taxation					
Profit attributable to shareholders of P.A.I.C.	5	24,472,044	55,470,371	57,152,296	24,976,485
APPROPRIATIONS					
Unappropriated profit brought forward - As Previously stated		132,313,949	85,924,528	83,100,017	68,886,407
Prior Year Adjustment	20	(9,389,531)	(9,389,531)	—	—
		<u>122,924,418</u>	<u>76,534,997</u>		
As Restated					
Bonus shares issued	9	(15,000,000)	(15,000,000)	—	—
Unclaimed statute barred dividends written back		449,658	449,658	172,105	172,105
		<u>132,846,120</u>	<u>117,455,026</u>	<u>140,424,418</u>	<u>94,034,997</u>
Profit available for appropriation					
Proposed dividends		(17,500,000)	(17,500,000)	(17,500,000)	(17,500,000)
		<u>115,346,120</u>	<u>99,955,026</u>	<u>122,924,418</u>	<u>76,534,997</u>
Unappropriated profit carried forward					
Earnings per share	6	2.97	6.73	6.94	3.03

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Principal accounting policies pages 14 to 16.

The notes on pages 26 to 32 form part of these accounts.



	Motor Pool Shs.	C.A.R. & Engineering Shs.	Fire Domestic Shs.	Fire Industrial Shs.	Liability Insurance Shs.	M
Net Written Premium	—	2,657,360	4,077,268	39,186,911	1,677,275	23,408
Unearned premium at 1.1.95	—	1,923,753	1,282,918	10,559,658	837,486	5,535
Unearned premium at 31.12.1995	—	(849,661)	(1,279,798)	(5,819,966)	(600,043)	(3,727)
Net Earned Premium	—	3,731,452	4,080,388	43,926,603	1,914,718	25,212
Claims Paid	2,879,082	434,400	1,022,416	11,355,365	1,362,548	2,963
Claims outstanding at 31.12.1995	14,377,549	678,904	422,661	8,527,789	17,427,687	6,193
Claims outstanding at 1.1.1995	(16,197,218)	(839,906)	(694,432)	(9,116,019)	(8,362,147)	(2,236)
Claims Incurred	1,059,413	273,398	750,645	10,767,135	10,428,088	6,920
Commission	(6)	829,944	491,059	10,680,617	278,703	(788)
Expenses	—	1,457,034	802,072	13,080,317	381,961	3,591
Premium tax & levies	—	129,801	71,453	1,165,268	34,027	319
Commission and Expenses	(6)	2,416,779	1,364,584	24,926,202	694,691	3,120
Underwriting (Loss)/Profit Transferred to Profit & Loss Account	(1,059,407)	1,041,275	1,965,159	8,233,266	(9,208,061)	15,166

Motor Private Shs.	Motor Commercial Shs.	P.A & Medical Shs.	Theft Insurance Shs.	Workmen's Compensation Shs.	Misc. Accident Shs.	Total 1995 Shs.	Total 1994 Shs.
373,273	75,400,761	11,831,360	8,571,897	7,398,797	6,701,654	242,880,376	178,880,055
337,702	20,293,133	3,125,409	1,209,336	1,572,532	3,167,282	76,545,123	49,193,312
18,975)	(23,303,524)	(3,019,032)	(2,579,251)	(1,888,604)	(2,895,158)	(72,381,649)	(76,545,123)
392,000	72,390,370	11,937,737	7,201,982	7,082,725	6,973,778	247,043,850	151,528,244
393,435	59,425,903	7,826,565	3,053,609	5,794,583	2,117,951	131,229,239	99,082,828
395,569	114,521,261	8,069,931	4,885,364	20,714,618	660,023	240,874,431	180,910,070
26,061)	(86,491,996)	(4,768,494)	(3,510,208)	(15,244,015)	(923,147)	(180,910,071)	(168,903,336)
362,943	87,455,168	11,128,002	4,428,765	11,265,186	1,854,827	191,193,599	111,089,562
349,343	5,005,422	816,132	(1,349,024)	1,468,263	(188,415)	22,293,862	15,369,048
135,292	13,173,660	2,611,354	2,446,085	1,275,490	1,469,669	51,424,529	42,985,041
391,994	1,173,583	232,634	217,911	113,628	130,926	4,581,184	4,435,734
176,629	19,352,665	3,660,120	1,314,972	2,857,381	1,412,180	78,299,575	62,789,823
552,428	(34,417,463)	(2,850,385)	1,458,245	(7,039,842)	3,706,771	(22,449,324)	(22,351,141)

CMA-LIBRARY

	Note	Statutory Funds		General	Total	Total
		Ordinary life	Superannuation	Fund	1995	1994
		Shs.	Shs.	Shs.	Shs.	Shs.
Net premium		86,434,136	2,142,637	—	88,576,773	71,502,641
Claims incurred :						
Death		3,150,534	3,865,539	—	7,016,073	7,288,651
Maturity		12,973,210	—	—	12,973,210	21,975,851
Other		13,486,128	—	—	13,486,128	12,453,778
Total claims		29,609,872	3,865,539	—	33,475,411	41,718,280
Surrender (including surrender of bonus)		4,513,288	—	—	4,513,288	2,904,122
Annuities paid		2,287,523	—	—	2,287,523	1,081,416
Total benefits payments		(36,410,683)	(3,865,539)	—	(40,276,222)	(45,703,818)
Commission		15,343,306	—	—	15,343,306	11,059,755
Expenses of management		69,612,331	1,725,637	—	71,337,968	55,621,130
Other expenses		1,270,158	31,486	—	1,301,644	1,025,329
Total expenses		(86,225,795)	(1,757,123)	—	(87,982,918)	(67,706,214)
Investment income	2	13,424,503	361,612	5,533,004	19,319,119	31,621,544
Revaluation surplus	7	215,320,920	5,800,031	88,746,058	309,867,009	2,012,463
Increase /(decrease) in Life Funds	1	192,543,081	2,681,618	94,279,062	289,503,760	(8,273,384)
Funds at the beginning of the year		304,092,083	8,191,232	125,333,728	437,617,043	445,890,427
Funds at the end of the year		496,635,164	10,872,850	219,612,790	727,120,803	437,617,043

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Principal accounting policies pages 14 to 16.

The notes on pages 26 to 32 form part of these accounts.



THE COMPANY BALANCE SHEET AS AT 31ST DECEMBER, 1995

		Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1995 Shs.	Total 1994 Shs.
	Note				
Share Capital	9	—	50,000,000	50,000,000	35,000,000
RESERVES :					
Available for appropriation:					
General		—	8,612,445	8,612,445	8,612,445
Unappropriated profit		—	99,955,026	99,955,026	76,534,997
			108,567,471	108,567,471	85,147,442
Not available for appropriation:					
Surplus transferred from life fund		—	37,337,000	37,337,000	37,337,000
Investment fluctuation reserves	10	—	380,188,398	380,188,398	249,563,908
			417,525,398	417,525,398	286,900,908
LIFE FUNDS :					
Statutory Funds	11	507,508,013	—	507,508,013	312,283,315
General Fund		219,612,790	—	219,612,790	125,333,728
		727,120,803		727,120,803	437,617,043
Total paid up capital, reserves and life funds		727,120,803	576,092,869	1,303,213,672	844,665,393
ASSETS :					
Fixed Assets :					
Motor vehicles		16,610,960	—	16,610,960	13,637,473
less : Depreciation		(10,603,768)	—	(10,603,768)	(7,949,394)
		6,007,192	—	6,007,192	5,688,079
Furniture and office equipment		80,685,438	39,699,484	120,384,922	94,443,727
less : Depreciation		(29,770,293)	(6,472,556)	(36,242,849)	(22,774,783)
		50,915,145	33,226,928	84,142,073	71,668,944
	13(a)	56,922,337	33,226,928	90,149,265	77,357,023
INVESTMENTS :					
Securities issued by the Government of Kenya		59,700,000	43,990,000	103,690,000	148,090,000
Freehold & Leasehold properties	7(a)	595,000,000	426,027,150	1,021,027,150	541,027,150
Ordinary shares quoted on the Nairobi Stock Exchange	7(b)	28,013,112	72,080,802	100,093,914	139,602,413
Ordinary shares (Unquoted)	8	2,000,000	90,753,605	92,753,605	90,753,605
Loans secured by mortgages on real property		—	111,912,432	111,912,432	93,842,665
Loans on life insurance policies within their surrender values		48,313,028	—	48,313,028	48,872,727
Deposits with banks		4,890,394	8,000,000	12,890,394	3,231,742
Deposits with non bank financial institutions		8,000,000	60,000	8,060,000	27,512,190
		745,916,534	752,823,989	1,498,740,523	1,092,932,492



CURRENT ASSETS :				
Cash & bank	1,652,634	6,102,858	7,755,492	7,057,885
Outstanding premium	—	103,142,550	103,142,550	123,100,721
Amounts retained under reinsurance contracts	—	88,726,679	88,726,679	45,654,569
Tax recoverable	103,094	11,241,709	11,344,803	6,920,712
Due from related corporate body	61,296	—	61,296	396,370
Sundry debtors	18,073,922	32,179,864	50,253,786	45,463,822
	<u>19,890,946</u>	<u>241,393,660</u>	<u>261,284,606</u>	<u>228,594,079</u>
TOTAL ASSETS	<u>822,729,817</u>	<u>1,027,444,577</u>	<u>1,850,174,394</u>	<u>1,398,883,594</u>
LIABILITIES :				
UNDERWRITING PROVISIONS :				
Unearned premium	—	72,381,647	72,381,647	76,545,123
Outstanding claims	44,025,401	240,874,431	284,899,832	221,194,020
	<u>44,025,401</u>	<u>313,256,078</u>	<u>357,281,479</u>	<u>297,739,143</u>
CURRENT LIABILITIES :				
Dividends payable	16	24,473,360	24,473,360	23,109,340
Amounts due to reinsurers	2,492,612	102,124,358	104,616,970	132,297,846
Tax payable	—	—	—	15,085,156
Sundry creditors	49,091,001	(181,150)	48,909,851	54,386,716
Due to related corporate body	—	11,679,062	11,679,062	31,600,000
	<u>51,583,613</u>	<u>138,095,630</u>	<u>189,679,243</u>	<u>256,479,058</u>
TOTAL LIABILITIES	<u>95,609,014</u>	<u>451,351,708</u>	<u>546,960,722</u>	<u>554,218,201</u>
	<u>727,120,803</u>	<u>576,092,869</u>	<u>1,303,213,672</u>	<u>844,665,393</u>

Principal Officer _____

Director _____

Director _____

The accounts were approved by the Board of Directors on 9th May, 1996

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Principal accounting policies pages 14 to 16.

The notes on pages 26 to 32 form part of these accounts.

CONSOLIDATED BALANCE SHEET As At 31st DECEMBER, 1995

	Note	Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1995 Shs.	Total 1994 Shs.
Share Capital	9	—	50,000,000	50,000,000	35,000,000
RESERVES					
Available for appropriation:					
General		—	8,612,445	8,612,445	8,612,445
		—	115,346,120	115,346,120	132,313,949
Unappropriated profit		—	123,958,565	123,958,565	140,926,394
Not available for appropriation:					
Capital reserves arising		—	—	—	—
on consolidation		—	805,291	805,291	805,291
Surplus transferred from life fund		—	37,337,000	37,337,000	37,337,000
Investment fluctuation reserves	10	—	674,398,251	674,398,251	282,072,400
		—	712,540,542	712,540,542	320,214,691
LIFE FUNDS :					
Statutory Funds	11	507,508,013	—	507,508,013	312,283,315
General Fund		219,612,790	—	219,612,790	125,333,728
		727,120,803	—	727,120,803	437,617,043
Total paid up capital, reserves and life funds		727,120,803	886,449,107	1,613,619,910	933,758,128
Deferred taxation	12	—	115,197,587	115,197,587	34,388,908
		727,120,803	1,001,696,694	1,728,817,497	968,147,036
ASSETS :					
Fixed Assets :					
Motor vehicles		16,610,960	4,843,848	21,454,808	18,481,321
less : Depreciation		(10,603,768)	(3,907,032)	(14,510,800)	(11,534,856)
		6,007,192	936,816	6,944,008	6,946,465
Furniture and office equipment		80,685,438	63,239,782	143,925,220	99,533,680
less : Depreciation		(29,770,293)	(6,657,305)	(36,427,598)	(26,967,320)
		50,915,145	56,582,477	107,497,622	72,566,360
Land and buildings		—	109,420,190	109,420,190	9,386,703
less : Depreciation		—	—	—	(1,967,395)
			109,420,190	109,420,190	7,419,308
	13(b)	56,922,337	166,939,483	223,861,820	86,932,133
Land and development	14	—	330,780,000	330,780,000	99,925,000



INVESTMENTS :

Securities issued by the Government of Kenya		59,700,000	43,990,000	103,690,000	148,090,000
Freehold & Leasehold properties	7(a)	595,000,000	426,027,150	1,021,027,150	541,027,150
Ordinary shares quoted on the Nairobi stock exchange	7(b)	28,013,112	72,080,802	100,093,914	139,602,413
Ordinary shares (Unquoted)		2,000,000	49,921,000	51,921,000	49,921,000
Loans secured by mortgages on real property		—	111,912,432	111,912,432	93,842,665
Loans on life insurance policies within their surrender values		48,313,028	—	48,313,028	48,872,727
Deposits with banks		4,890,394	8,000,000	12,890,394	18,231,742
Deposits with non bank financial institutions		8,000,000	60,000	8,060,000	27,512,190
		<u>745,916,534</u>	<u>711,991,384</u>	<u>1,457,907,918</u>	<u>1,067,099,887</u>

CURRENT ASSETS :

Cash & bank		1,652,634	11,924,268	13,576,902	16,435,898
Outstanding premium		—	103,142,550	103,142,550	138,123,972
Amounts retained under reinsurance contracts		—	88,726,679	88,726,679	45,654,569
Tax recoverable		103,094	11,241,709	11,344,803	6,920,712
Due from related corporate body		61,296	—	61,296	396,370
Stocks	15	—	15,258,145	15,258,145	10,931,132
Deferred Costs		—	16,152,517	16,152,517	—
Sundry debtors		18,073,922	36,818,039	54,891,961	48,063,588
		<u>19,890,946</u>	<u>283,263,907</u>	<u>303,154,853</u>	<u>266,526,241</u>

TOTAL ASSETS

822,729,817 1,492,974,774 2,315,704,591 1,520,483,261

LIABILITIES :

UNDERWRITING PROVISIONS :

Unearned premium		—	72,381,647	72,381,647	76,545,123
Outstanding claims		44,025,401	240,874,431	284,899,832	221,194,020
		<u>44,025,401</u>	<u>313,256,078</u>	<u>357,281,479</u>	<u>297,739,143</u>

CURRENT LIABILITIES:

Dividends payable	17	—	24,473,360	24,473,360	23,109,340
Amounts due to reinsurers		2,492,612	102,124,358	104,616,970	132,297,846
Tax payable		—	3,454,751	3,454,751	33,762,615
Sundry creditors		49,091,001	47,969,533	97,060,534	65,427,281
		<u>51,583,613</u>	<u>178,022,002</u>	<u>229,605,615</u>	<u>254,597,082</u>

TOTAL LIABILITIES

95,609,014 491,278,080 586,887,094 552,336,225
727,120,803 1,001,696,694 1,728,817,497 968,147,036

Principal Officer _____

Director _____ Director _____

The accounts were approved by the Board of Directors on 9 May, 1996

Report of the auditors page 13.

Principal accounting policies pages 14 to 16.

The notes on pages 26 to 32 form part of these accounts.



GENERAL INSURANCE BUSINESS CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 1995

	Note	1995 Group Shs.	1995 Company Shs.	1994 Group Shs.	1994 Company Shs.
CASH FLOW FROM OPERATING ACTIVITIES					
Net profit before taxation		37,465,735	65,499,225	86,634,128	38,202,726
Adjustment for :					
Profit on sale of fixed assets		—	—	106,694	—
Depreciation		8,856,114	4,874,684	1,602,873	718,555
Premiums and claims reserves		55,800,885	55,800,885	39,358,547	39,358,547
Investment income		53,654,348	88,654,348	60,351,526	60,351,526
Operating profit before working capital changes		155,777,082	214,829,142	188,053,768	138,631,354
Increase in debtors		(7,511,116)	(30,029,055)	(47,090,650)	(50,570,126)
Increase in creditors		(67,401,327)	(30,723,225)	(24,539,164)	(5,536,397)
Cash generated from operations		80,864,639	154,076,862	116,423,954	82,524,831
Income tax paid		(43,150,805)	(30,596,980)	(25,434,188)	(18,517,960)
Net cash from operating activities		37,713,834	123,479,882	90,989,766	64,006,871
RETURN ON INVESTMENTS AND SERVICING OF FINANCE					
Investment income		53,654,348	88,654,348	60,351,526	60,351,526
Dividends paid		(15,352,973)	(15,352,973)	(10,826,453)	(10,826,453)
Net cash flow from investments and servicing of finance		38,301,375	73,301,375	49,525,073	49,525,073
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets		(25,996,547)	(24,535,817)	(22,177,321)	(19,769,862)
Net mortgage loans redeemed/(advanced)		(18,069,768)	(18,069,768)	(287,004)	(287,004)
Net redemptions of government securities		25,200,000	25,200,000	—	—
Net cash from investing activities		(18,866,315)	(17,405,585)	(22,464,325)	(20,056,866)
Net increase from cash and cash equivalents		(32,760,401)	(14,203,798)	(3,922,710)	(24,201,262)
Cash and cash equivalents at the beginning of the year		52,744,669	28,366,656	56,667,379	52,567,918
Cash and cash equivalents at the end of the year	21	19,984,268	14,162,858	52,744,669	28,366,656



1. PROFIT BEFORE TAXATION AND INCREASE IN THE LIFE FUNDS:

	Long term Insurance Total Business Shs.	General Insurance Total Business Shs.	Total 1995 Shs.	Total 1994 Shs.
THE GROUP				
The results are stated after charging:				
Depreciation	12,494,436	8,856,114	21,350,550	12,314,552
Auditors' remuneration	624,000	1,015,129	1,639,129	1,416,000
Premium tax & Levy	1,301,644	4,581,185	5,882,829	5,461,061
	=====	=====	=====	=====
And after crediting investment income:				
Government securities	14,536,097	12,508,713	27,044,810	34,521,350
Quoted shares	955,790	3,719,828	4,675,618	5,390,874
Interest on mortgage loans	—	11,116,830	11,116,830	11,080,402
	=====	=====	=====	=====
THE COMPANY				
The results are stated after charging:				
Depreciation	12,494,436	4,874,684	17,369,120	11,430,234
Auditors' remuneration	624,000	676,000	1,300,000	1,121,000
Premium tax & Levy	1,301,644	4,581,185	5,882,829	5,461,061
	=====	=====	=====	=====
And after crediting investment income:				
Government securities	14,536,097	12,508,713	27,044,810	34,521,350
Quoted shares	955,790	3,719,828	4,675,618	5,390,874
Interest on mortgage loans	—	11,116,830	11,116,830	11,080,402
	=====	=====	=====	=====

2. INVESTMENT INCOME: LONG TERM INSURANCE BUSINESS:

Investment income has been allocated to the various funds on the basis of the proportionate fund balances at the beginning of the year.

3. ACTUARIAL VALUATION:

A triennial valuation of the life fund was carried out by the Consulting Actuaries as at 31st December, 1995. The Actuaries do not recommend any transfer to the shareholders. A previous valuation of the life fund carried out by the Consulting Actuaries as at 31st December 1992 recommended a transfer of shs.30million. This has not been transferred to date. The transfer will be effected in future years.

4. TAXATION:

	1995 Shs.	1994 Shs.
(a) THE GROUP		
On the profit for the year	12,993,691	27,050,986
Drought levy	—	2,430,846
	=====	=====
	12,993,691	29,481,832
	=====	=====



(b) THE COMPANY

On the profit for the year	10,028,854	17,512,821
Drought levy	—	1,347,140
	<u>10,028,854</u>	<u>18,859,961</u>
	=====	=====

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF PAN AFRICA INSURANCE COMPANY LIMITED:

The parent company's net profit for the year is reconciled to the group accounts as follows:

	1995 Shs.	1994 Shs
Parent company's net profit for the year	55,470,371	24,976,485
Less:		
Parent Company's share of Subsidiary Company's Dividends	(35,000,000)	
Add:		
Parent company's share of subsidiary companies' net profit for the year	<u>4,001,673</u>	<u>32,175,811</u>
Group profit attributable to shareholders of Pan Africa Insurance Co. Ltd.	<u>24,472,044</u>	<u>57,152,296</u>
	=====	=====

6. EARNINGS PER SHARE:

Earnings per share are calculated by reference to the profit after taxation calculated on the average number of shares in issue during the year. The 1994 comparative figures have been adjusted to take into account the bonus issue in 1995.

7. INVESTMENTS:**(a) Freehold and Leasehold Properties:**

The valuation of freehold and leasehold properties was carried out by Lloyd Masika, professional independent valuers in 1995. The basis of valuation was open market value with current use. The surplus arising thereon of Shs. 170,000,000 in respect of General insurance business was credited to the investment fluctuations reserve. The surplus of Shs. 310,000,000 in respect of Long term business properties was credited to the life funds.

(b) Quoted Ordinary Shares:

Investment in shares quoted on the Nairobi Stock Exchange are stated at market value.

Unrealised loss arising from movement in share prices amounting to Shs. 132,990 in respect of long term business were debited to the life funds. The unrealised loss amounting to Shs. 39,375,510 in respect of general business were debited to the investment fluctuations reserve.

8. SUBSIDIARY COMPANIES:**General Insurance Business:**

Included under investments in unquoted ordinary shares are investments held in wholly owned subsidiary companies as shown here under:

	1995 Shs.	1994 Shs.
Shares at cost	<u>42,003,605</u>	<u>42,003,605</u>
	=====	=====



The subsidiary companies are:

Mae Properties Limited and
Runda Water Limited.

9. SHARE CAPITAL:

Authorised:	1995 Shs.	1994 Shs
Ordinary shares of Shs. 5 each	35,000,000	35,000,000
Issued and fully paid:		
1st January	35,000,000	35,000,000
Issue of bonus shares	15,000,000	
	=====	=====
31st December	50,000,000	35,000,000
	=====	=====

The bonus issue of 3 ordinary shares of Kshs.5 each for every 7 ordinary shares in 1994 was approved by the members at the Annual General Meeting held on 1st July, 1994. Shs.15 Million from unappropriated profits was capitalised for this purpose.

10. INVESTMENT FLUCTUATION RESERVE:

(a) THE GROUP	1995 Shs.	1994 Shs.
1st January	282,072,400	238,107,105
Revaluation surplus -(Note7)	519,578,100	
Revaluation surplus/(deficit) -Shares - (Note 7)	(39,375,510)	50,781,107
Transfer of the realised surplus on plots	(7,068,060)	(10,485,863)
Release of deferred taxation provision in respect of plots sold (Note 12)	2,473,821	3,670,051
Deferred Tax provision on Revaluation for the Year	(83,282,500)	—
31st December	674,398,251	282,072,400
	=====	=====
(a) THE COMPANY		
1st January	249,563,908	198,782,801
Revaluation surplus -Properties - (Note 7)	170,000,000	—
Revaluation surplus/(deficit) -Shares - (Note 7)	(39,375,510)	50,781,107
31st December	380,188,398	249,563,908
	=====	=====

11. STATUTORY FUNDS:

Statutory funds were established on 1st January, 1990 by the company in respect of its long term insurance business as required under section 45 of the Insurance Act, 1984. Income arising from the investment of the assets of the statutory funds is credited to and forms part of those funds.



12. DEFERRED TAXATION:

The Group relating to a subsidiary	1995 Shs.	1994 Shs.
1st January	34,388,908	38,058,959
On Revaluation during the year	83,282,500	—
Release of provision in respect of plots sold (Note 10)	(2,473,821)	(3,670,051)
31st December	115,197,587	34,388,908

13. FIXED ASSETS:

(a) THE COMPANY

(i)	Motor vehicles Shs.	Furniture, fittings & equipment Shs.	Total Shs.
COST OR VALUATION:			
1st January, 1995	13,637,473	94,443,727	108,081,200
Additions	4,220,167	25,941,195	30,161,362
Disposals	(1,246,680)	—	(1,246,680)
31st December, 1995	16,610,960	120,384,922	136,995,882
COMPRISING:			
Cost	16,610,960	134,485,774	151,096,734
Valuation	—	10,279,298	10,279,298
	16,610,960	144,765,072	161,376,032
DEPRECIATION:			
1st January, 1995	7,949,394	22,774,783	30,724,177
Charge for the year	3,901,054	13,468,066	17,369,120
Disposals	(1,246,680)	—	(1,246,680)
31 st December, 1995	10,603,768	36,242,849	46,846,617
NET BOOK VALUE:			
Long term business	6,007,192	50,915,145	56,922,337
General business	—	33,226,928	33,226,928
31st December, 1995	6,007,192	84,142,073	90,149,265
31st December, 1994	5,688,079	71,668,944	77,357,023

(ii) No depreciation has been charged in arriving at the results of the year in respect of certain fixed assets with a gross value of Shs.13,330,000 (1994 - Shs. 13,848,147), which are still in use but fully depreciated.

If depreciation had been charged during the year on the gross value of these assets, it would have amounted to approximately Shs.3,457,369 (1994: Shs.3,626,103).

13. FIXED ASSETS:

(b) THE GROUP

(i)	Land and Buildings Shs.	Motor Vehicles Shs.	Furniture, fittings & equipment Shs	Total Shs.
COST OR VALUATION:				
1st January, 1995	9,386,703	18,481,321	99,533,677	127,401,701
Additions	727,593	4,220,167	41,704,377	46,652,137
Disposals	—	(1,246,680)	—	(1,246,680)
Revaluation	99,305,894	—	2,687,166	101,993,060
31st December, 1995	109,420,190	21,454,808	143,925,220	274,800,218
COMPRISING:				
Cost	10,114,296	21,454,808	130,958,757	162,527,861
Valuation	99,305,894	—	12,966,463	112,272,357
31st December, 1995	109,420,190	21,454,808	143,925,220	274,800,218
DEPRECIATION:				
1st January, 1995	1,967,392	11,534,858	26,967,320	40,469,570
Charge for the year	307,403	4,222,624	16,820,523	21,350,550
	—	(1,246,680)	—	(1,246,682)
Disposals	(2,274,795)	—	(7,360,245)	(9,635,040)
Revaluation	—	—	—	—
31st December, 1995	—	14,510,800	36,427,598	50,938,398
NET BOOK VALUE:				
Long term business	—	6,007,192	50,915,145	56,922,337
General business	109,420,190	936,816	56,582,477	166,939,483
31st December, 1995	109,420,190	6,944,008	107,497,622	223,861,820
31st December, 1994	7,419,308	6,946,465	72,566,360	86,932,133

(ii) No depreciation has been charged in arriving at the results of the year in respect of certain fixed assets with a gross value of Shs.13,330,000 (1994 -Shs. 13,848,147), which are still in use but fully depreciated. If depreciation had been charged during the year on the gross value of these assets, it would have amounted to approximately Shs 3,457,369 (1994:Shs.3,626,103).

14. LAND AND DEVELOPMENT:

THE GROUP	1995 Shs.	1994 Shs.
1st January	99,925,000	110,440,000
Plots sold	(7,095,000)	(10,515,000)
Revaluation	237,950,000	—
31st December	330,780,000	99,925,000

15. STOCKS:

THE GROUP	1995 Shs.	1994 Shs
Stocks comprise:		
Coffee stock	14,977,008	10,718,498
Fertilizers and chemicals	281,137	212,634
	<u>15,258,145</u>	<u>10,931,132</u>

16. DIVIDENDS PAYABLE:

	1995 Shs.	1994 Shs.
The Group and the company:		
Proposed dividends for the year	17,500,000	17,500,000
Unpaid dividends from previous years	6,973,360	5,609,340
31st December	<u>24,473,360</u>	<u>23,109,340</u>

17. MORTGAGE LOANS:

The Group and the Company:	1995 Shs.	1994 Shs.
Amount approved by the directors but not advanced at 31st December	<u>14,288,429</u>	<u>5,429,500</u>

18. CAPITAL COMMITMENTS:

The Group and the Company:	1995 Shs.	1994 Shs.
Approved but not contracted for	<u>52,830,812</u>	<u>—</u>

19. DIRECTORS' EMOLUMENTS:

	1995 As Directors Shs.	1995 For Management Shs.	1994 As Directors Shs.	1994 For Management Shs.
Emoluments	886,950	3,547,340	529,200	3,548,400
Payable by subsidiary companies	2,139,860	—	1,621,896	—
	<u>3,026,810</u>	<u>3,547,340</u>	<u>2,151,096</u>	<u>3,548,400</u>

20. PRIOR YEAR ADJUSTMENT:

The financial statements for 1994 have been restated to correct an understatement of facultative reinsurance - out premiums. The effect of restatement was to reduce the net profit for the financial year 1994 by Shs. 9,389,531.

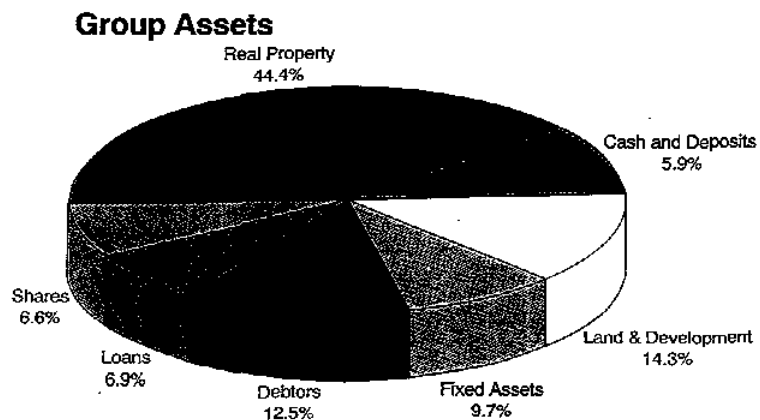
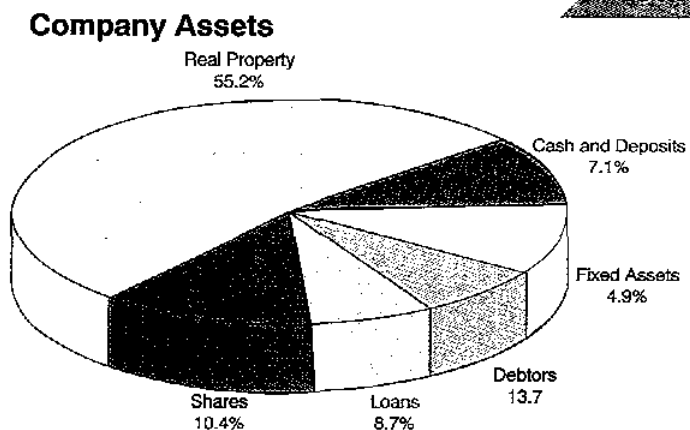
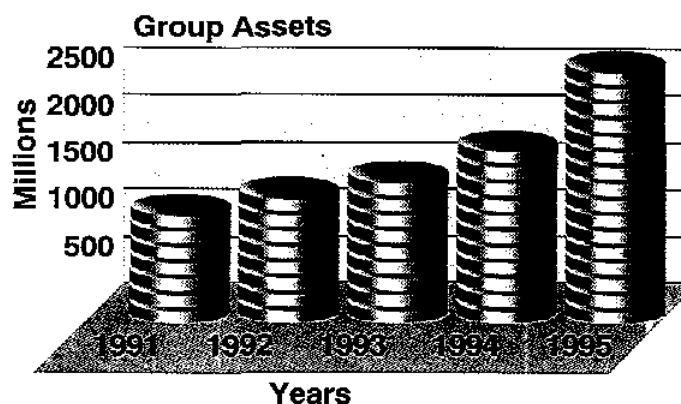
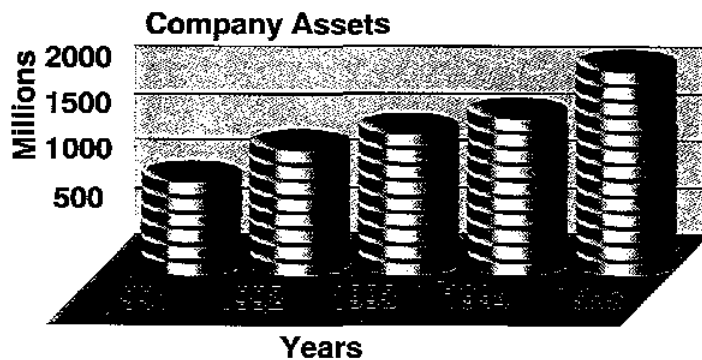


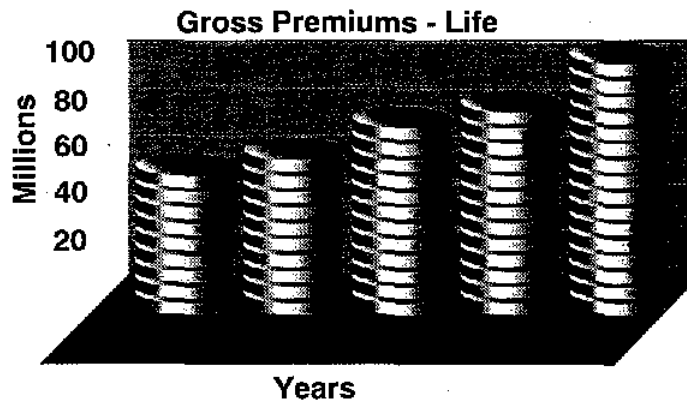
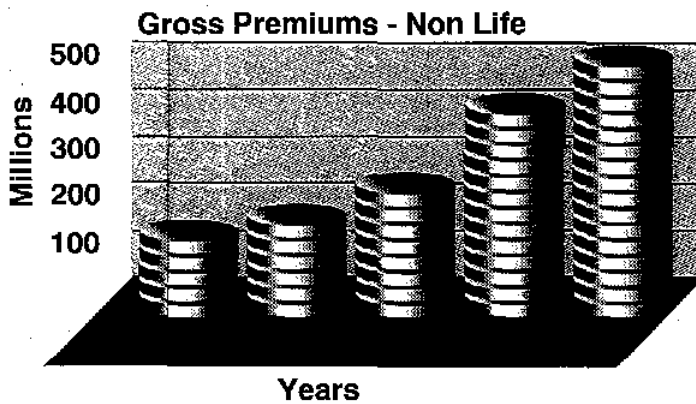
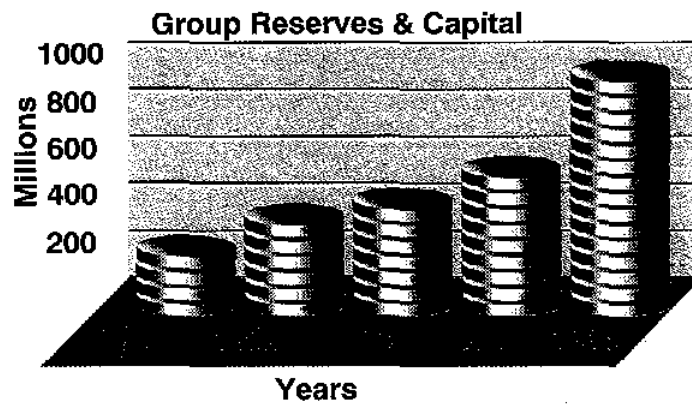
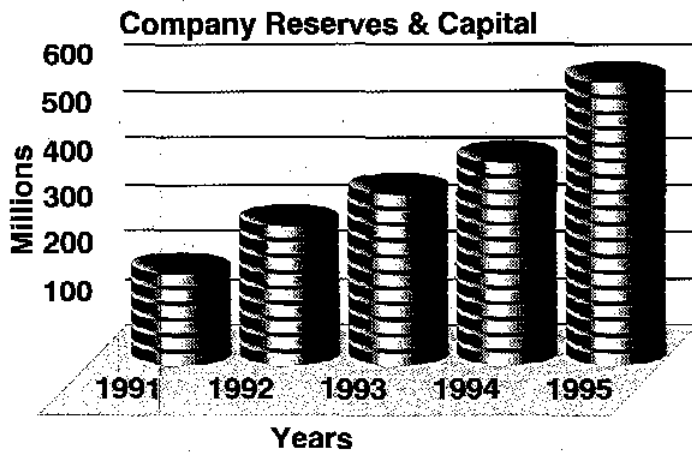
21. GENERAL INSURANCE BUSINESS CASH FLOW STATEMENT:

	1995 Group Shs.	1995 Company Shs.	1994 Group Shs.	1994 Company Shs.
Cash and bank balances	11,924,268	6,102,858	13,232,479	3,854,466
Deposits: Financial institutions/banks	8,060,000	8,060,000	39,512,190	24,512,190
	<u>19,984,268</u>	<u>14,162,858</u>	<u>52,744,669</u>	<u>28,366,656</u>

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**PAN AFRICA INSURANCE COMPANY LIMITED
PROXY**

I/We

Of P.O. Box

being a member/members of the above Company, hereby appoint Messrs/Mr/Mrs/Miss.

of P.O. Box

or on their /him/her failing to attend, the Chairman of the meeting as my/our Proxy, to vote for me/us and on my/our behalf at the next Annual General Meeting of the said Company, to be held on 28th June, 1996 at 12.00 noon and at any adjournment thereof.

Signed this.....day of.....1996

Signature

If this Proxy is to be executed on behalf of a Company which is a shareholder, the same should be signed under seal.

**PAN AFRICA INSURANCE COMPANY LIMITED
MWAKILISHI**

Mimi/Sisi.....

wa Sanduku la Posta

Kama mwanachama/wanachama wa kampuni ambayo imetajwa hapa juu, hapa namchagua/tunamchagua

wa Sanduku la Posta

ama kama hayuko, Mwenyekiti wa mkutano huu awe mwakilishi wangu /wetu anipigie/atupigie kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa kampuni utakaofanywa mnamo Juni 28, 1996 saa sita mchana au wakati wowote ikiwa mkutano utaahirishwa.

Iliwekwa sahihi tarehesiku ya.....1996

Sahihi.....

Kumbusho:

Kwa upande wa Shirika, ni lazima uwakilishi uwe na muhuri wa kawaida wa shirika hilo.

