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











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PAN AFRICA
INSURANCE COMPANY LIMITED

1994

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

Company Details

Branch offices

Mombasa
Ambalal 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 Streets
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
Consulting Actuaries Limited
Nairobi.

Bankers

Kenya
Commercial Bank of Africa Limited
Bank of Baroda Limited
Barclays Bank of Kenya Limited
Kenya Commercial Bank Limited
Standard Chartered Bank Kenya Limited
Banque Indosuez Limited
Cooperative Bank of Kenya Limited

Tanzania
National Bank of Commerce Limited

Auditors
Coopers & Lybrand
P O Box 30158
Nairobi.

2007/0593

Board of Directors



A A A EKIRAPA
chairman



F T NYAMMO



W OLOTCH
managing



D M MUTISO



D K NGINI



D N GACHUCHE



S M ETHANGATTA



J M KITURI



J G KIBE



M W MUIGAI (MRS)

Chairman's Report

Economic Environment

For the first time in many years, Africa showed signs of economic recovery in 1996, due mainly to the implementation of macro-economic reforms and structural adjustment programmes. The expected growth in gross domestic product (GDP) for the continent was 5%, which was much higher than growth rates experienced in the recent past.

Kenya has consistently implemented economic reforms and though the economy experienced a decline in its rate of growth, GDP fell from 4.8% in 1995 to 4.6% in 1996, factors contributing to the drop in performance were mainly natural. Rainfall was relatively poor during the period, adversely affecting agricultural and power output. High interest rates and high prices of petroleum products and food only helped aggravate the worsening economic trends.

Though most sectors of the economy did not perform as well as expected, the financial sector remained the leading growth sector as reported in the just released Economic Survey (1997). While this is the case, the good performance was confined to the banks and other financial institutions rather than insurance companies. Indeed, during the year, the only state owned insurance company was deregistered though for reasons peculiar to the company. Competition for insurance business remained high, resulting into lowering of rates, among other less desirable mode of competition.

Looking ahead however, it is pleasing to note that the current year's economic growth is expected to be better. Contributing factors are good and widespread rainfall over the last few months which is expected to continue, and the prevailing high prices of cash crops in the widening market for Kenyan manufactured goods within the East African countries. It is expected that a GDP of 5.2% will be realised.



Legislative Environment

The Insurance Act, like other legislations, is expected to evolve depending on the needs of the time. The insurance companies and other players in the industry would like to see some changes in the law for the industry to play its rightful role in the economy. Some of the changes which the industry has appealed to the authorities to consider implementing are as follows:-

- **Removal of Tax on Realised Gains on Stock and Shares**

Institutional investors do not pay the tax on realised gains on stocks and shares. Insurance companies are appealing that they too be treated the same.

- **Relief on Life Premiums**

In the last budget, tax relief on life premiums was removed. The industry feels that this will act as a disincentive to those wishing to buy life insurance. Insurers through the sale of life insurance products mobilise savings required for economic development and it would be in the country's interest, if tax relief on premiums could be reintroduced as an incentive to save through this medium.

There are other proposals which have also been lodged with the authorities and the industry is awaiting changes.

Non-Life Business

The Company recorded a gross premium income of Kshs 487.2 million, during the year, against a budget of

Kshs 452 million and the previous year's figure of Kshs. 432.3 million, representing a growth of 12.7%. Reinsurance amounted to Kshs 230.5 million and the net retained premium income therefore was Kshs. 245 million, compared to Kshs. 247 million, the previous year. The amount retained by the Company for its net account, compares favourably with the experience of other insurers writing similar portfolios. The company in its drive to increase its market share, has acquired participation in some of the peak risks in the country. The effect of this and particularly in property insurance has been to increase the level of cessions on proportional basis to reinsurers.

While the level of cessions increases under these circumstances, commissions retained also increase and this contributes to profitability. After taking into account all other deductions the Company realised an underwriting loss of Kshs 16.3 compared to Kshs 22.4 million, the previous year. The trend in underwriting results is a welcomed development and it is hoped that in the near future, underwriting operations will produce a profit. Theft of motor vehicles has been an industry problem for a number of years, but I am pleased to report that the problem is being contained and if the law enforcement agencies maintain their current vigilance, the numbers involved are bound to be brought down to manageable levels. Our Company lost 43 vehicles in 1995 with 17 recovered but this number fell to 28 with 12 recovered during the financial year. A new problem has however emerged affecting the whole industry and this is repair bills on imported second hand vehicles. Experience is showing that while the vehicles (mostly cars) are relatively cheap to buy, when involved in accidents the repairers' bills are proportionately higher and this frequently results in write-offs. The industry will eventually have to come up with a solution if the deteriorating private motor results, are to be arrested.

Life Business

For the first time, your Company's life insurance premium income exceeded Kshs 100 million and stood at Kshs 126.4 million at the end of the year, as compared to Kshs 93.2 million in 1995. Net premiums increased to Kshs 125 million as compared to Kshs 88.6 million the previous year (net of reinsurance). In relative terms the growth in premiums on gross and net basis was 36% and 41% respectively. In 1995 the corresponding percentage was 24% in both cases. The improvement in performance is attributed to intensive training being offered to agents, improved terms of service, introduction of repackaged products and the increase in sales outlets. During the year, six new unit offices were opened and seven more will be added on this year. In compliance with the Insurance Act and in keeping with good and prudent management of life assurance business, our consulting actuaries carried out an actuarial valuation of the life fund as at 31st December 1996. The actuarial valuation indicated a strong solvency position with our life fund standing at Kshs 715 million. As a result, the consulting actuaries have recommended a reversionary bonus payable to all existing with profit policyholders under ordinary life business including whole life and endowment assurance at a rate of 5% of sum assured, which is one of the highest rates of bonus declared by any insurer in the market.

GROWTH OF ASSETS AND SHAREHOLDERS FUNDS

Group assets grew from Kshs 2.3 billion to Kshs 2.4 billion while shareholders funds remained at slightly over Kshs 1 billion.

PERFORMANCE OF THE SUBSIDIARY COMPANIES

The Company's subsidiaries, Mae Properties Ltd and Runda Water Ltd, continue to perform well and during the year, they recorded pre-tax profit

of Kshs 63 million as compared to Kshs 7 million, realised the previous year.

COMPANY AND GROUP RESULTS

Investment income realised by the Company for the year was Kshs 92.8 million as compared to Kshs 88.6 million in 1995. The pre-tax profit of the Company was Kshs 65.5 million which was the same as that reported last year. While this is the case, it should be noted that dividend declared by the subsidiary companies was subjected to tax which amounts to double taxation. This aspect of the law is inequitable as other corporate organisations are not subjected to it. It is our appeal therefore that the authorities should review the relevant section. The group pre-tax profit was Kshs 88.2 million as compared to Kshs 37.4 million the previous year.

DIVIDENDS

Your Board recommends a dividend of Kshs 17.5 million which is a 35% return on the paid-up share capital of Kshs 50 million. The Board wishes to retain the surplus earnings in the Company to finance on-going refurbishment work in various Company properties.

BONUS ISSUE

Your Board is recommending for your approval, capitalisation of Kshs 15 million out of the available distributable reserves of the Company, by the issue of 3 million fully paid-up shares of Kshs 5 each to shareholders in the Shareholders' Register on 4th July 1997 in the proportion of 3 bonus shares for every 10 shares held, subject to the approval of the Capital Markets Authority.

This measure will increase the paid-up share capital of the company from Kshs 50 million to Kshs 65 million. At this level the Company will comply with the requirement of the Insurance (Amendment) Act 1995

which limits the gross general business insurance premium to 10% of the paid-up share capital.

CONCLUSION

Finally, I wish to express my appreciation for the support I received throughout the year from Directors, management and staff of the Company, which enabled the results recorded here to be achieved. I also wish to thank our shareholders, policyholders, agents and brokers for their continued support of your company.

A A EKIRAPA
CHAIRMAN

Taarifa Ya Mwenyekiti

AMENITA K. A. JOHNSON
KINASHIRI

Mazingira ya Kiuchumi

Kwa mara ya kwanza kwa miaka mingi Afrika imeonyesha dalili za muamko wa kiuchumi mwaka 1996 zaidi kwa ajili ya kutekelezwa mageuzi ya kiuchumi na mipango ya marekibisho ya amara. Ukuaji uliotarajiwa katika pato la nchini kwa bara lilikuwa asilimia 5, ambalo lilikuwa ni la juu sana kuliko viwango vya ukuaji vilivyo patikana hivi karibuni.

Kenya imeendelea kutimiza mageuzi ya kiuchumi na japokuwa hali ya uchumi ilionekana kupunguwa katika kiwango chake cha ukuaji, pato la nchini lilishuka toka asilimia 4.8 mwaka 1995 hadi 4.6 mwaka 1996, mambo yaliyo changia kuteremka zaidi yalikuwa ni ya kimaumbile. Mvua haikuwa ya kutosha wakati huo huku ikiathiri utendaji wa kilimo na nguvu za umeme. Viwango vya juu vya riba na bei za juu za bidhaa za mafuta na vyakula vilisaidia tu kuchochea hali zilizokuwa mbaya za kiuchumi.

Japokuwa sekta nyingi za uchumi hazikufanya vizuri kama zilizotarajiwa, sekta ya fedha iliendelea kuongoza kama ilivyo arifiwa kwenye Dokezo la Uchumi la hivi karibuni (1997). Ambapo hali ni hii, matukio haya mazuri zaidi yaliendelezwa na mabanki na mashirika mengine ya fedha kuliko makampuni ya bima. Hakika mwakani, shirika la pekee la bima la umma lilifutuliwa mbali ingawa ni kwa sababu zilizo fahamika na kampuni yenyewe. Mawano ya biashara ya bima yalibaki kuwa makubwa na kusababisha upunguzwaji wa ada, ikiwa ni kati ya mbinu zisizofaa za ushindani.

Hata hivyo tukitazama mbele, inafurahisha kufahamu kwamba ukuaji wa uchumi kwa mwaka huu unatarajiwa kuwa mzuri zaidi. Mambo yanayochangia ni mazuri na yaliyosambaa, ikiwa ni mvua iliyonyesha kwa miezi michache iliyopita ambayo tunatarajia itaendelea, na bei za juu za sasa za mazao ya fedha kwenye



A. A. Ekirapa - Mwenyekiti

soko linalo tanuka la bidhaa zinazo tengenezwa humu nchini kwenye nchi za Afrika Mashariki. Inatarajiwa kwamba ongezeko la pato la humu nchini la asilimia 5.2 litapatikana.

Mazingira ya Kisheria

Kanuni ya Bima, kama sheria nyingine, inatarajiwa kuimarika iki- tegemea mahitaji ya wakati wenyewe. Kampuni za bima na washiriki wengine kwenye biashara wangependa kuona mabadiliko kadhaa kwenye sheria ili biashara itekeleze wajibu wake unaostahili katika uchumi. Baadhi ya mabadiliko ambayo kiwanda cha bima kime-omba wenye mamlaka kufikiria kute-keleza ni kama yafuatayo:-

- **Kuondolewa Ushuru Kwenye Mapato ya Mali na Hisa**

Wawekaji rasilimali wa Mashirika hawalipi ushuru kwenye mapato ya hisa. Makampuni ya bima wanaomba wao pia waonekane hivyo hivyo.

- **Ruzuku Kwenye Ada za Bima ya Maisha**

Kwenye makadirio ya fedha za serikali yaliyopita, ruzuku kwenye malipo ya bima za maisha iliondolewa. Kiwanda cha bima kinahisi kwamba hii itakuwa kama kiogopesho kwa wale wanaotaka kununua bima za maisha. Makampuni ya Bima kupitia mauzo ya bima za maisha hushajiisha uwekaji akiba unao hitajika kwa maendeleo ya kiuchumi na itakuwa kwa manufaa ya nchi, ikiwa ruzuku kwenye malipo ya ada itarudishwa tena ikiwa ni kuvutio cha uwekaji akiba kupitia nyanja hii.

Kuna mapendekezo mengine ambayo yamewakilishwa kwa wanaohusika na kiwanda cha bima kinasubiri mageuzi.

UTENDU WA KAMPUNI

Biashara ya Bima zisizo za Maisha

Kampuni ilipata pato la jumla kutokana na malipo ya ada la Kshs milioni 487.2 hapo mwakani, dhidi ya makadirio ya Kshs milioni 452 na tarakimu ya mwaka uliotangulia ya Kshs milioni 432.3 ikiwakilisha ongezeko la asilimia 12.7. Dhamana inayo wekewa bima ilifikia Kshs milioni 230.5 na kwa hivyo albaki ya pato lililo hifadhiwa la ada lilikuwa Kshs milioni 245, ikifananihwa na Kshs milioni 247, mwaka uliotangulia. Kiasi hicho kina uwiano mzuri na makampuni mengine ya bima. Kampuni katika jitihada zake za kuongezea sehemu yake ya soko, imeshiriki katika baadhi ya hadhari za juu humu nchini. Hii imesababisha ongezeko la dhamana kwenye bima za mali inayo milikiwa kwa misingi ya kadiri kwa wawekaji bima.

Ambapo viwango vya dhamana vinazidi kuongezeka, viwango vya mapato pia vinaongezeka na hii huchangia kwenye faida. Baada ya kutilia maanani gharama zote nyingine, Kampuni ilipata upungufu wa majukumu ya bima ya Kshs milioni 16.3 ikifananihwa na Kshs milioni 22.4 mwaka uliotangulia. Mwenendo wa matokeo ya majukumu ni ya kuridhisha na inatarajiwa kwamba mwakani yataleta faida. Wizi wa magari umekuwa ni tatizo la kiwanda cha bima kwa miaka mingi, lakini nina furaha kuarifu kwamba tatizo lenyewe linakabiliwa na ikiwa vyombo vya kuhifadhi sheria vitaendelea na ukakamavu wao wa sasa, idadi zinazo husika zitapunguzwa kufikia viwango vinavyo wezekana. Kampuni yetu ilipoteza magari 43 mwaka 1995 kukiwa na 17 yaliyopatikana lakini idadi hii ilishuka hadi 28 na 12 kupatikana katika mwaka huo wa fedha.

Taarifa Ya Mwenyekiti

Hata hivyo kumezuka tatizo moja linalo athiri kiwanda chote cha bima, nalo ni gharama za kukarabati magari yaliyokwisha tumika yanayonunuliwa kutoka nchi za nje. Maarifa yameonyesha kwamba ambapo magari yenyewe (mengi yakiwa mado-go) ni rahisi kununua, yanapopata ajali gharama za kukarabati ni za juu sana na mara nyingi hii husababisha magari kutupiliwa mbali. Hatimae itabidi kiwanda cha bima kiibuke na suluhisho endapo matokeo yanayozidi kuwa mabaya ya biashara ya magari ya binafsi itathibitiwa.

Biashara ya Bima za Maisha

Kwa mara ya kwanza, mapato kutokana na ada za malipo ya bima za maisha yalizidi Kshs milioni 100 kwa kufikia Kshs milioni 126.4 mwehoni mwa mwaka, ikifananishwa na Kshs milioni 93.2 mwaka 1995. Jumla ya ada ziliongezeka kufikia Kshs milioni 125 ikifananishwa na Kshs milioni 88.6 mwaka uliotangulia (thamani ya dhamana ya bima). Kwa kufananisha ongezeko la faida kwa jumla na faida halisi ilikuwa ni asilimia 36 na 41. Ikifananishwa na mwaka 1995 asilimia zinazo afikiana ni 24 kwa zote. Mafanikio katika utekelezaji yanatokana na mafunzo kabambe yaliyotolewa kwa wakala, kadiri za huduma zilizo imarishwa kwa mfumo mpya wa bidhaa na ongezeko la maeneo ya mauzo. Mwaka huo afisi mpya sita zilifunguliwa na nyingine saba zitaongezwa mwaka huu. Kuambatana na kanuni za Bima na kwa usimamizi mzuri wenye busara, washauri wetu wa thamani walitekeleza hesabu za kudhamini hazina ya bima za maisha kufikia Desemba 31, 1996. Udhhamini huo ulionyesha hali nzuri tuliyo nayo huku hazina yetu ya bima za maisha ikiwa ni Kshs milioni 715. Kwa hali hiyo, washauri wetu wamependekeza malipo ya bakshishi kwa wateja wote wa sasa walio na hati za bima zenye faida kwa kiwango cha asilimia 5 cha kiasi kilicho wekewa bima, ambacho ni kimoja wapo ya viwango vya bakshishi vya juu zaidi vilivyotolewa na Kampuni yoyote ile ya bima humu nchini.

UWAKILISHI WA KAMPUNI YA BIMA ZA MAISHA

Rasilimali za kundi ziliongezeka toka Kshs bilioni 2.3 hadi Kshs bilioni 2.4 ilihali hazina ya wenyehisa ilibakia palepale.

WAKALAMA WA KAMPUNI YA BIMA ZA MAISHA

Kampuni zetu tanzu, Mae Properties Limited na Runda Water Limited, ziliendelea kufanya vizuri hapo mwakani, zilipata faida kabla ya ushuru ya Kshs milioni 63 ikilinganishwa na Kshs milioni 7, iliyopatikana mwaka uliotangulia.

MAWAKILI

Pato kwenye rasilimali iliyowekwa na Kampuni kwa mwaka ilikuwa ni Kshs milioni 92.8 ikifananishwa na Kshs milioni 88.6 mwaka 1995. Faida ya kampuni kabla ushuru ilikuwa Kshs milioni 65.5 ambayo ni sawa na ile iliyo arifiwa mwaka jana. Ambapo hali ni hii, itafaa ifahamike kwamba mgawo uliotangazwa na makumpuni tanzu ulitozwa ushuru na kusababisha malipo ya ushuru mara mbili. Hali hii ya sheria inabagua kwa kuwa haihusishi mashirika mengine. Kwa hivyo tunaomba rufaa kwa wanao husika wachunguze tena sehemu hiyo. Faida ya kundi kabla ushuru ilikuwa Kshs milioni 88.2 ikifananishwa na Kshs milioni 37.4 mwaka uliotangulia.

WAKALAMA WA BIDA

Halmashauri yenu inapendekiza mgawo wa Kshs milioni 17.5 ambao ni mapato ya asilimia 35 kwenye rasilimali ya hisa zilizolipwa za Kshs milioni 50. Halmashauri ingependa kuhifadhi pato la ziada kwenye Kampuni ili kugharamia kazi zinazoendelea sasa za kutengeneza upya mijiengo kadhaa ya Kampuni.

TOLEO LA KAMPUNI

Halmashauri yenu inapendekiza kwa idhini yenu, kuweka rasilimali ya Kshs milioni 15 kutoka kwenye malimbikizo yaliyoko ya Kampuni, kwa toleo la hisa milioni 3 zilizo lipiwa kamili za Kshs 5 kila moja kwa wenye hisa waliopo kwenye Orodha ya Wenye hisa kufikia Julai 4 1997 kwa kadiri ya hisa 3 kwa kila hisa 10 zinazo milikiwa sasa, ikitegemea kibali cha mamlaka ya Capital Markets Authority.

Hatua hii itaongezea rasilimali ya hisa za Kampuni zilizo lipiwa kikamilifu kutoka Kshs milioni 50 hadi Kshs milioni 65. Kwa kadiri hii Kampuni itaambatana na mahitaji ya kifungu cha Sheria ya Bima (iliyorekebishwa) ya mwaka 1995 inayowekea kiwango biashara ya jumla ya mapato ya ada za bima kufikia asilimia 10 ya rasilimali za hisa zilizo lipiwa kikamilifu.

A THAMANI

Hatimae ningependa kutoa shukrani zangu kwa ushirikiano niliopata mwakani toka kwa Wakurugenzi, wasimamizi na wafanyakazi wa Kampuni, ambao ulifanikisha matokeo yaliyo patikana hapa. Hali kadhalika ningetaka kuwashukuru wenyehisa, wenye bima, wakala na wawakilishi wetu kwa kuendelea kutuunga mkono.

A A A EKIRAPA MWENYEKITI

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Pan Africa Insurance Company Limited will be held on 11th July, 1997 at the Acacia Room, New Stanley Hotel, at 12.00 noon to transact the following business:

- 1 To confirm the Minutes of the Annual General Meeting held on 28th June, 1996.
- 2 To receive the audited accounts for the year ended 31st December, 1996 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 and fix their fees.
- 5 To appoint Auditors and authorise the Directors to fix their fees for the following year.
- 6 To approve, subject to the approval of the Capital Markets Authority, the transfer of Shs. 15 million from the retained and distributable reserves of the Company and capitalisation of the same by the issue of three fully paid-up shares of Shs. 5.0 each for every ten held by shareholders registered in the Company's Register on 4th July 1997 and that such bonus shares shall rank pari passu in all respects with the existing shares in the capital of the Company except that the bonus shares will not rank for dividend for the year ended 31st December, 1996 and earmarked for payment on or around 28th July 1997.
- 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

30th May, 1997

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.

I l a n i Y a M k u t a n o M k u u w a M w a k a

Ilani inatolewa kwamba mkutano mkuu wa kampuni ya Pan Africa Insurance Company Limited utafanyika katika Acacia Room, New Stanley Hotel, siku ya Ijumaa, Julai 11, 1997, saa sita mchana kujadili mambo yafuatayo:

1. Kuthibitisha kumbukumbu za mkutano wa mwaka uliofanywa mnamo tarehe Juni 28, 1996.
2. Kupokea taarifa ya hesabu ya pesa kwa mwaka uliomalizika tarehe 31 Desemba, 1996 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 ya wakaguzi-hesabu.
6. Kuidhinisha kutolewa kwa kiasi cha shilingi 15 milioni kutoka kwa hazina ya faida iliohifadhiwa kwa ajili ya malipo ya bakshishi ya hisa tatu mpya ya shilingi 5 kila moja kwa kila hisa kumi za kawaida kwa wenye hisa wa kampuni hii mnamo tarehe 4 Julai 1997, lakini hazitahusika katika mgao wa faida uliopendekezwa wa mwaka wa fedha uliomalizika Decemba 31, 1996 unaotarajiwa kulipwa hapo ama karibu Julai 28 1997.
7. Kujadili mambo mengine yoyote yatakayotolewa kwa idhini ya Mwenyekiti.

Pan Africa House
Kenyatta Avenue
S L Posta 62551
Nairobi

Kwa Amri ya Halmashauri
S. M. Muhia
Katibu

30 Mei, 1997

Mwenyekiti

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.

Report of the Directors

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 31 st December, 1996.
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 J M Kituri, S M Ethangatta and J G Kibe 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) at fees to be fixed by the directors.

By Order of the Board

S M Muhia
Secretary

30 May, 1997

Report of the Auditors

We have audited the accounts set out on pages 12 to 32. The accounts of the Company set out on pages 19 to 21 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 the 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 1996 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, 1997

Statement of Principal Accounting Policies

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:

(1) Consolidation Policy

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.

(2) Insurance Policy

1. 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 premiums 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.

2. 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.

3. 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 Pools' accounting year which runs from October to September of the following year. As a result, the Pools' 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.

Statement of Principal Accounting Policies

(4) Long Term Insurance Business

An investigation into the financial position of the life fund is carried out annually 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.

(5) Investment Income

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

(6) 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.

(7) 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

(8) 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 values.
- (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.

Statement of Principal Accounting Policies

(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 except for the unsold plots which are deferred.

(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, 1996

	Note	1996 Group Shs.	1996 Company Shs.	1995 Group Shs.	1995 Company Shs.
Income					
Investment income		52,817,018	92,817,018	53,654,348	88,654,348
Subsidiaries' Profit before taxation		62,715,015	-	6,966,510	-
Total Income		115,532,033	92,817,018	60,620,858	88,654,348
Outgoing					
Loss transferred from General Insurance revenue accounts		(16,316,273)	(16,316,273)	(22,449,324)	(22,449,324)
Expenses not charged to revenue accounts		(10,959,429)	(10,959,429)	(705,799)	(705,799)
Total Outgoing		(27,275,702)	(27,275,702)	(23,155,123)	(23,155,123)
Profit before taxation	1	88,256,331	65,541,316	37,465,735	65,499,255
Provision for taxation	4	(48,403,460)	(22,939,461)	(12,993,691)	(10,028,854)
Profit after taxation		39,852,871	42,601,855	24,472,044	55,470,371
Profit attributable to shareholders of P.A.I.C	5	39,852,871	42,601,855	24,472,044	55,470,371
Unappropriated profit					
brought forward-As previously stated		115,346,120	99,955,026	132,313,949	85,924,528
Prior year adjustment		-	-	(9,389,531)	(9,389,531)
As restated		115,346,120	99,955,026	122,924,418	76,534,997
Bonus shares issued		-	-	(15,000,000)	(15,000,000)
Unclaimed statute barred dividends written back		71,395	71,395	449,658	449,658
Profit available for appropriation		155,270,386	142,628,276	132,846,120	117,455,026
Proposed dividends		(17,500,000)	(17,500,000)	(17,500,000)	(17,500,000)
Unappropriated profit carried forward		137,770,386	125,128,276	115,346,120	99,955,026
Earnings per share	6	3.99	4.26	2.97	6.73

Report of the Auditors-page 11.

Principal accounting policies-pages 12 to 14.

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

General Insurance Business Revenue Accounts

For the Year ended 31st December 1995

	Motor Pool Shs.	C.A.R & Engineering Shs.	Fire Domestic Shs.	Fire Industrial Shs.	Liability Insurance Shs.	Marine & Transit Shs.
Unearned premiums at 1-1-95	-	11,155,220	6,116,676	32,325,423	5,155,567	23,743,595
Unearned premiums at 31-12-95	-	345,657	1,275,730	3,313,553	100,243	3,727,637
Unearned premiums at 31-12-96	-	(7,275,166)	(2,237,521)	(3,243,676)	(2,133,854)	(1,820,133)
Net earned premiums	-	10,736,745	5,158,951	30,102,813	3,646,609	25,647,764
Claims paid	2,441,653	2,882,333	690,310	12,464,450	3,269,772	14,102,942
Claims outstanding at 31-12-96	12,648,139	1,256,225	688,908	5,360,809	16,196,292	5,065,594
Claims outstanding at 1-1-96	(14,377,549)	(678,904)	(422,661)	(8,527,789)	(17,427,687)	(6,193,076)
Claims incurred	712,243	3,459,654	956,557	9,297,470	2,038,377	12,975,460
Commission	-	3,213,575	582,809	3,306,478	1,071,264	3,471,012
Expenses	-	1,757,741	1,208,770	13,787,552	570,573	4,838,114
Premium tax and levies	-	208,132	140,790	1,833,012	106,010	565,589
Commission and expenses	-	5,209,418	1,932,242	22,932,042	2,087,847	8,894,715
Underwriting (loss)/profit Transferred to profit and loss account	(712,243)	2,067,673	2,270,152	(2,126,699)	(479,615)	3,777,589

Report of the Auditors-page 11.

Principal accounting policies-pages 12 to 14.

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

Long Term Business Revenue Accounts

for the Year Ended 31st December, 1996

		Statutory Funds		General	Total	Total
	Note	Ordinary Life Shs.	Super Annuation Shs.	Fund Shs.	1996 Shs.	1995 Shs.
Net Premiums		109,234,113	15,284,268	-	124,518,381	88,576,773
Claims Incurred						
Death		4,577,509	2,088,208	-	6,665,717	7,016,073
Maturity		25,535,013	-	-	25,535,013	12,973,210
Other		12,779,128	-	-	12,779,128	13,486,128
Total Claims		42,891,650	2,088,208	-	44,979,858	33,475,411
Surrenders (Including surrender of bonus)		2,520,607	314,219	-	2,834,826	4,513,288
Annuities paid		3,552,417	-	-	3,552,417	2,287,523
Total benefits payments		(48,964,674)	(2,402,427)	-	(51,367,101)	(40,276,222)
Commission		21,252,844	95,397	-	21,348,241	15,343,306
Expenses of management		72,614,376	10,160,357	-	82,774,733	71,337,968
Other expenses		1,194,527	167,141	-	1,361,668	1,301,644
Total expenses		(95,061,747)	(10,422,895)	-	(105,484,642)	(87,982,918)
Investment income	2	16,968,073	371,483	7,503,305	24,842,861	19,319,119
Revaluation (deficit)/surplus	7	(2,902,224)	(63,538)	(1,283,368)	(4,249,130)	309,867,009
(Decrease) /increase in Life Funds	1	(20,726,459)	2,766,891	6,219,937	(11,739,631)	289,503,760
Funds at the beginning of the year		496,635,163	10,872,850	219,612,790	727,120,803	437,617,043
Funds at the end of the year		475,908,704	13,639,741	225,832,727	715,381,172	727,120,803

Report of the Auditors-page 11.

Principal accounting policies-pages 12 to 14.

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

The Company Balance Sheet

as at 31st December, 1996

	Note	Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1996 Shs.	Total 1995 Shs.
Share Capital	9	-	50,000,000	50,000,000	50,000,000
Reserves:					
Available for appropriation:					
General		-	8,612,445	8,612,445	8,612,445
Unappropriated profit		-	125,128,276	125,128,276	99,955,026
		-	133,740,721	133,740,721	108,567,471
Not available for appropriation:					
Surplus transferred from life fund			37,337,000	37,337,000	37,337,000
Investment fluctuations reserves	10	-	372,482,568	372,482,568	380,188,398
		-	409,819,568	409,819,568	417,525,398
Life Funds:					
Statutory Funds	11	489,548,445	-	489,548,445	507,508,013
General Fund		225,832,727	-	225,832,727	219,612,790
		715,381,172	-	715,381,172	727,120,803
Total paid up capital, reserves and life funds		715,381,172	593,560,289	1,308,941,461	1,303,213,672
Assets:					
Fixed Assets:					
Motor vehicles		18,380,552	-	18,380,552	16,610,960
Less: Depreciation		(14,143,320)	-	(14,143,320)	(10,603,768)
		4,237,232	-	4,237,232	6,007,192
Furniture and office equipment		104,376,890	67,532,636	171,909,526	120,384,922
Less: Depreciation		(38,398,348)	(14,717,515)	(53,115,863)	(36,242,849)
		65,978,542	52,815,121	118,793,663	84,142,073
	13(a)	70,215,774	52,815,121	123,030,895	90,149,265

The Company Balance Sheet

as at 31st December, 1996

Investments:

Securities issued by the Government of Kenya		55,000,000	35,000,000	90,000,000	103,690,000
Freehold & Leasehold properties	7(a)	595,000,000	433,527,150	1,028,527,150	1,021,027,150
Ordinary shares quoted on the Nairobi Stock Exchange	7(b)	26,093,982	59,857,472	85,951,454	100,093,914
Ordinary shares(unquoted)	8	-	92,753,605	92,753,605	92,753,605
Loans secured by mortgages on real property		-	121,777,795	121,777,795	111,912,432
Loans on life insurance policies within their surrender values		53,735,359	-	53,735,359	48,313,028
Deposits with banks		5,250,963	-	5,250,963	12,890,394
Deposits with non bank financial institutions		5,000,000	3,000,000	8,000,000	8,060,000
		740,080,304	745,916,022	1,485,996,326	1,498,740,523

Current Assets:

Cash & bank		11,200,154	8,730,209	19,930,363	7,755,492
Outstanding premiums		-	139,090,461	139,090,461	103,142,550
Amounts retained under reinsurance contracts		178,867	100,079,997	100,258,864	88,726,679
Tax recoverable		93,943	11,035,087	11,139,030	11,344,803
Due from related corporate body		-	18,320,939	18,320,939	61,296
Sundry debtors		17,106,461	31,360,224	48,466,685	50,253,786
		28,579,425	308,626,917	337,206,342	261,284,606
Total Assets		838,875,503	1,107,358,060	1,946,233,563	1,850,174,394

Liabilities

Underwriting Provisions:

Unearned premiums		-	83,883,130	83,883,130	72,381,647
Outstanding claims		51,802,432	267,577,281	319,379,713	284,899,832
		51,802,432	351,460,411	403,262,843	357,281,479

Current Liabilities:

Dividends payable	16	-	27,161,877	27,161,877	24,473,360
Amounts due to reinsurers		747,371	99,934,424	100,681,795	104,616,970
Tax payable		-	8,228,006	8,228,006	-
Sundry creditors		63,627,056	1,624,006	65,251,062	48,909,851
Due to related corporate body		7,317,472	-	7,317,472	11,679,062
Overdraft		-	25,389,047	25,389,047	-
		71,691,899	162,337,360	234,029,259	189,679,243

The Company Balance Sheet

for the year ended 31st May 1997

Total Liabilities	123,494,331	513,797,771	637,292,102	546,960,722
	715,381,172	593,560,289	1,308,941,461	1,303,213,672

Principal Officer

Director

Director

The accounts were approved by the board of Directors on 23rd May 1997

Report of the Auditors-page 11.

Principal accounting policies-pages 12 to 14.

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 1996 Shs.	Total 1995 Shs.
Share Capital:	9	-	50,000,000	50,000,000	50,000,000
Reserves:					
Available for appropriation:					
General		-	8,612,445	8,612,445	8,612,445
Unappropriated profit		-	137,770,386	137,770,386	115,346,120
		-	146,382,831	146,382,831	123,958,565
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 fluctuations reserves	10	-	657,010,616	657,010,616	674,398,251
		-	695,152,907	695,152,907	712,540,542
Life Funds:					
Statutory Funds	11	489,548,445	-	489,548,445	507,508,013
General Fund		225,832,727	-	225,832,727	219,612,790
		715,381,172	-	715,381,172	727,120,803
Total paid up capital, reserves and life funds		715,381,172	891,535,738	1,606,916,910	1,613,619,910
Deferred taxation	12	-	109,984,307	109,984,307	115,197,587
		715,381,172	1,001,520,045	1,716,901,217	1,728,817,497
Assets:					
Fixed Assets:					
Motor vehicles		18,380,552	4,843,848	23,224,400	21,454,808
Less: Depreciation		(14,143,320)	(4,145,594)	(18,288,914)	(14,510,800)
		4,237,232	698,254	4,935,486	6,944,008

Consolidated Balance Sheet

as at 31st December 1998

Furniture and office equipment		104,376,890	91,418,872	195,795,762	143,925,220
Less: Depreciation		(38,398,348)	(19,355,059)	(57,753,407)	(36,427,598)
		65,978,542	72,063,813	138,042,355	107,497,622
Land and buildings		-	109,420,190	109,420,190	109,420,190
Less: Depreciation		-	(2,656,879)	(2,656,879)	-
		-	106,763,311	106,763,311	109,420,190
	13(b)	70,215,774	179,525,378	249,741,152	223,861,820
Land and development	14	-	315,825,000	315,825,000	330,780,000
Investments:					
Securities issued by the Government of Kenya		55,000,000	35,000,000	90,000,000	103,690,000
Freehold & Leasehold properties	7(a)	595,000,000	433,527,150	1,028,527,150	1,021,027,150
Ordinary shares quoted on the Nairobi stock exchange	7(b)	26,093,982	59,857,472	85,951,454	100,093,914
Ordinary shares (Unquoted)		-	51,921,000	51,921,000	51,921,000
Loans secured by mortgages on real property		-	121,777,795	121,777,795	111,912,432
Loans on life insurance policies within their surrender values		53,735,359	53,735,359	53,735,359	48,313,028
Deposits with banks		5,250,963	-	5,250,963	12,890,394
Deposits with non bank financial institutions		5,000,000	3,000,000	8,000,000	8,060,000
		740,080,304	705,083,417	1,445,163,721	1,457,907,918
Current Assets:					
Cash & bank		11,200,154	12,594,808	23,794,962	13,576,902
Outstanding premiums		-	139,090,461	139,090,461	103,142,550
Amounts retained under reinsurance contracts		178,867	100,079,997	100,258,864	88,726,679
Tax recoverable		93,943	11,045,087	11,139,030	11,344,803
Due from related corporate body		-	-	-	61,296
Stocks	15	-	8,752,646	8,752,646	15,258,145
Deferred Costs		-	63,177,650	63,177,650	16,152,517
Sundry debtors		17,106,461	52,002,374	69,108,835	54,891,961
		28,579,425	386,743,023	415,322,448	303,154,853
Total Assets		838,875,503	1,587,176,818	2,426,052,321	2,315,704,591

Consolidated Balance Sheet

as at 31st December, 1996

Liabilities

Underwriting Provisions:

Unearned premiums	-	83,883,130	83,883,130	72,381,647
Outstanding claims	51,802,432	267,577,281	319,379,713	284,899,832
	51,802,432	351,460,411	403,262,843	357,281,479

Current Liabilities:

Dividends payable	16	-	27,161,877	27,161,877	24,473,360
Amounts due to reinsurers		747,371	99,934,424	100,681,795	104,616,970
Tax payable		-	35,648,235	35,648,235	3,454,751
Sundry creditors		63,627,056	46,062,779	109,689,835	97,060,534
Due to related corporate body		7,317,472	-	7,317,472	-
Overdraft		-	25,389,047	25,389,047	-
		71,691,899	234,196,362	305,888,261	229,605,615

Total Liabilities

123,494,331	585,656,773	709,151,104	586,887,094
715,381,172	1,001,520,045	1,716,901,217	1,728,817,497

Principal Officer

Director

Director

The accounts were approved by the Board of Directors on 23rd May 1997

Report of the Auditors-page 11.

Principal accounting policies-pages 12 to 14.

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

General Insurance Business Cash Flow Statement

For the year ended 31 December 1996

	Note	1996 Group Shs.	1996 Company Shs.	1995 Group Shs.	1995 Company Shs.
<i>Operating activities</i>					
Net profit before taxation		88,256,331	65,541,316	37,465,735	65,499,225
Adjustment for:					
Depreciation		15,593,197	8,244,959	8,856,114	4,874,684
Premiums and claims reserves		38,204,333	38,204,333	55,800,885	55,800,885
Investment income		(52,817,018)	(92,817,018)	(53,654,348)	(88,654,348)
Operating profit before working capital changes		89,236,843	19,173,590	48,468,386	37,520,446
Increase in debtors		(144,235,301)	(82,127,071)	(26,139,879)	(13,211,050)
Increase in creditors		30,785,313	(1,147,317)	(31,373,163)	(63,812,004)
Cash generated from operations		(24,213,145)	(64,100,798)	(9,044,656)	(39,502,608)
Income tax paid		(14,516,444)	(13,017,918)	(43,150,805)	(30,596,980)
Net cash from operating activities		(38,729,589)	(77,118,716)	(52,195,461)	(70,099,588)
<i>Investing activities</i>					
Investment income		52,817,018	92,817,018	53,654,348	88,654,348
Dividends paid		(14,811,483)	(14,811,483)	(15,352,973)	(15,352,973)
Net cash flow from investments and servicing of finance		38,005,535	78,005,535	38,301,375	73,301,375
<i>Financing activities</i>					
Purchase of fixed assets		(28,179,090)	(27,833,152)	(25,996,547)	(24,535,817)
Net mortgage loans redeemed / (advanced)		(9,865,363)	(9,865,363)	(18,069,768)	(18,069,768)
Net (purchase)/redemptions of government securities		8,990,000	8,990,000	25,200,000	25,200,000
Net cash from from investing activities		(29,054,453)	(28,708,515)	(18,866,315)	(17,405,585)
Net increase from cash and cash equivalents		(29,778,507)	(27,821,696)	(32,760,401)	(14,203,798)
Cash and cash equivalents at the beginning of the year		19,984,268	14,162,858	52,744,669	28,366,656
Cash and cash equivalents at the end of the year		(9,794,239)	(13,658,838)	19,984,268	14,162,858

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Principal accounting policies pages 12 to 14.

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

Notes to the Accounts

31st December, 1996

1. Profit before Taxation, (Decrease)/Increase in the Life Funds	Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1996 Shs.	Total 1995 Shs.
The Group				
The results are stated after charging:				
Depreciation	12,913,309	15,593,197	28,506,506,	21,350,550
Auditors' remuneration	720,000	1,150,950	1,870,950	1,639,129
Premium tax and levy	1,361,668	6,863,540	8,225,208	5,882,829
Provision for investment in Kenya Finance Bank Limited	2,743,948	17,003,452	19,747,400	-
And after crediting investment income:				
Government securities	12,267,983	5,561,966	17,829,949	27,044,810
Quoted shares	1,339,680	5,626,846	6,966,526	4,675,618
Interest on mortgage loans	-	9,561,150	9,561,150	11,116,830
The Company				
The results are stated after charging:				
Depreciation	12,913,309	8,244,959	21,158,268	17,369,120
Auditors' remuneration	720,000	780,000	1,500,000	1,300,000
Premium tax and levy	1,361,668	6,863,540	8,225,208	5882,829
Provision for investment in Kenya Finance Bank Limited	2,743,948	6,787,750	9,531,698	-
And after crediting investment income:				
Government securities	12,267,983	5,561,966	17,829,949	27,044,810
Quoted shares	1,339,680	5,626,846	6,966,526	4,675,618
Interest on mortgage loans	-	9,561,150	9,561,150	11,116,830

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

The annual actuarial valuation of the life fund was carried out by the Consulting Actuaries as at 31st December 1996 and revealed strong solvency position. The Consulting Actuaries did not recommend a transfer to shareholders following that actuarial valuation. From previous actuarial valuations of the life fund the Consulting Actuaries made recommendations of transfers from the life fund to General Fund within the statutory long term business funds. Any transfers in the future from the General Fund to shareholders is subject to the approval of the Consulting Actuaries.

4 Taxation

	1996 Shs.	1995 Shs.
(a) The Group		
On the profit for the year	48,403,460	12,993,691

Notes to the Accounts

31st December, 1995

4. Taxation (continued)

(b) The Company

On the profit for the year	22,939,461	10,028,854
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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:

	1996 Shs.	1995 Shs.
Parent company's net profit for the year	42,601,855	55,470,371
Less:		
Parent company's share of subsidiary company dividends	(40,000,000)	(35,000,000)
Add:		
Parent company's share of subsidiary companies' net profit for the year	37,251,016	4,001,673
Group profit attributable to shareholders of Pan Africa Insurance Co. Ltd.	<u>39,852,871</u>	<u>24,472,044</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.

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 in 1995. The surplus of Shs. 309,867,009 in respect of long term business properties was credited to the life funds in 1995.

(b) Quoted Ordinary Shares:

Investment in shares quoted on the Nairobi Stock Exchange are stated at market values. Unrealised loss arising from movement in share prices amounting to Shs. 4,249,130 in respect of long term business was debited to the life funds. The unrealised loss amounting to Shs. 7,705,830 in respect of general business was debited to the investment fluctuations reserve.

Notes to the Accounts

31st December, 1996

8. Subsidiary Companies

General insurance business:

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

	1996 Shs.	1995 Shs.
Shares at cost	42,003,605	42,003,605

The subsidiary companies are:

Mae Properties Ltd. and Runda Water Ltd.

9. Share Capital

Ordinary shares of Shs. 5 each

	1996 Shs.	1995 Shs.
Authorised	100,000,000	100,000,000
Issued and fully paid:-		
1st January	50,000,000	35,000,000
Issue of bonus shares	-	15,000,000
31st December	50,000,000	50,000,000

10. Investment Fluctuations Reserves

(a) The Group

	1996 Shs.	1995 Shs.
1st January	674,398,251	282,072,400
Revaluation surplus-properties (Note 7.a)	-	519,578,100
Revaluation deficit-Shares-(Notes 7.b)	(7,705,830)	(39,375,510)
Transfer of the realised surplus on plots sold to profit and loss account.	(14,895,085)	(7,068,060)
Release of deferred taxation provision in respect of plots sold (Note 12)	5,213,280	2,473,821
Deferred tax provision on revaluation for the year	-	(83,282,500)
31st December	657,010,616	674,398,251

(b) The Company

1st January	380,188,398	249,563,908
Revaluation surplus-Properties-(Note 7.a)	-	170,000,000
Revaluation deficit-Shares-(Note 7.b)	(7,705,830)	(39,375,510)
31st December	372,482,568	380,188,398

Notes to the Accounts

31st December, 1996

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	1996	1995
Relating to a subsidiary	Shs.	Shs.
1st January	115,197,587	34,388,908
On revaluation	-	83,282,500
Release of provision in respect of plots sold (Note 10)	(5,213,280)	(2,473,821)
31st December	109,984,307	115,197,587

13. Fixed Assets

(a) The Company

(i)	Motor Vehicles	Furniture, fittings & equipment	Total
	Shs.	Shs.	Shs.
Cost or valuation:			
1st January 1996	16,610,960	120,384,922	136,995,882
Additions	2,515,295	51,524,604	54,039,899
Disposals	(745,703)	-	(745,703)
31st December 1996	18,380,552	171,909,526	190,290,078
Comprising:			
Cost	18,380,552	161,630,228	180,010,780
Valuation	-	10,279,298	10,279,298
	18,380,552	171,909,526	190,290,078
Depreciation:			
1st January 1996	10,603,768	36,242,849	46,846,617
Charge for the year	4,285,255	16,873,014	21,158,269
Disposals	(745,703)	-	(745,703)
31st December 1996	14,143,320	53,115,863	67,259,183

Notes to the Accounts

31st December, 1996

(a) Fixed Assets - The Company (continued)

Net book value			
Long term business	4,327,232	65,978,542	70,215,774
General Business	-	52,815,121	52,815,121
31st December 1996	4,237,232	118,793,663	123,030,895
31st December 1995	6,007,192	84,142,073	90,149,265

(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. 14,180,436 (1995-Shs. 13,330,000), 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 Shs. 3,592,738 (1995-Shs. 3,457,369).

(b) The Group

(i)

	Land and buildings Shs.	Motor vehicles Shs.	Furniture, fittings and equipment Shs.	Total Shs.
Cost or valuation:				
1st January 1996	109,420,190	21,454,808	143,925,220	274,800,218
Additions	-	2,515,295	51,870,542	54,385,837
Disposals	-	(745,703)	-	(745,703)
31st December 1996	109,420,190	23,224,400	195,795,762	328,440,352
Comprising:				
Cost	10,114,296	23,224,400	182,829,299	216,167,995
Valuation	99,305,894	-	12,966,463	112,272,357
1st December 1996	109,420,190	23,224,400	195,795,762	328,440,352
Depreciation:				
1st January 1996	-	14,510,800	36,427,598	50,938,398
Charge for the year	2,656,879	4,523,817	21,325,809	28,506,505
Disposals	-	(745,703)	-	(745,703)
31st December 1996	2,656,879	18,288,914	57,753,407	78,699,200
Net book value				
Long term business	-	4,237,232	65,978,542	70,215,774
General business	106,763,311	698,254	72,063,813	179,525,378

Notes to the Accounts

31st December 1996

Fixed Assets - The Group (continued)

31st December 1996	106,763,311	4,935,486	138,042,355	249,741,152
31st December 1995	109,420,190	6,944,008	107,497,622	223,861,820

(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. 14,180,436 (1995-Shs. 13,330,000), 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 Shs. 3,592,738 (1995-Shs. 3,457,369).

14. Land and Development

The Group	1996 Shs.	1995 Shs.
1st January	330,780,000	99,925,000
Plots sold	(14,955,000)	(7,095,000)
Revaluation	-	237,950,000
31st December	315,825,000	330,780,000

15. Stocks

The Group	1996 Shs.	1995 Shs.
Stocks comprise:		
Coffee stocks	8,466,674	14,977,008
Fertilizers and chemicals	285,972	281,137
	8,752,646	15,258,145

16. Dividends Payable

The Group and The Company	1996 Shs.	1995 Shs.
Proposed dividends for the year	17,500,000	17,500,000
Unpaid dividends from previous years	9,661,877	6,973,360
31st December	27,161,877	24,473,360

Notes to the Accounts

31st December, 1996

17. Mortgage Loans

The Group and The Company

	1996 Shs.	1995 Shs.
Amount approved by the directors but not advanced at 31st December	8,346,926	14,288,429

18. Capital Commitments

The Group and The Company

	1996 Shs.	1995 Shs.
Approved but not contracted for	20,893,906	52,830,812

19. Directors' Emoluments

	1996 As Directors Shs.	1996 For Management Shs.	1995 As Directors Shs.	1995 For Management Shs.
Emoluments	886,950	4,274,462	886,950	3,547,340
Payable by subsidiary companies	2,598,720	-	2,139,860	-
	3,485,670	4,274,462	3,026,810	3,547,340

20. Related Party Transactions

At the balance sheet date, the Company had the following balances with Companies/Directors related to it by virtue of common shareholding/Directorships.

	1996 Group Shs.	1996 Company Shs.	1995 Group Shs.	1995 Company Shs.
Included under Sundry Debtors:	10,113,411	4,953,411	4,548,843	1,904,445
Included under Mortgage Loans:				
Directors	24,738,332	24,738,332	24,850,210	24,850,210
Companies	13,446,551	13,446,551	13,939,829	13,939,829

All transactions are at arms length and in the normal course of business. The loans to Directors are at terms available to other staff.

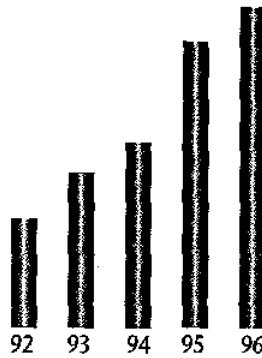
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Financial Highlights

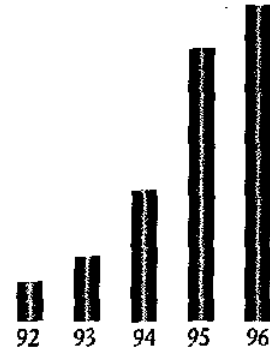
Company Assets



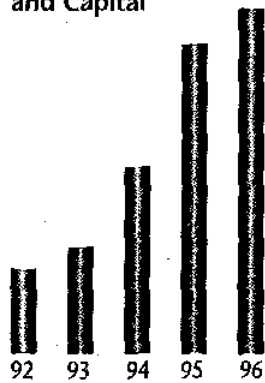
Group Assets



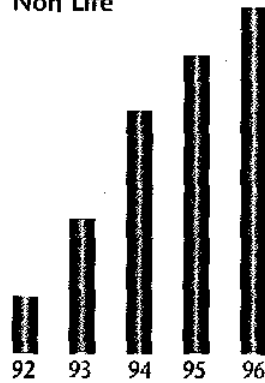
Company Reserves and Capital



Group Reserves and Capital



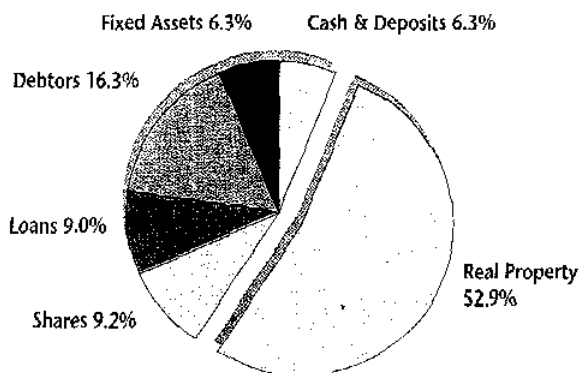
Gross Premiums Non Life



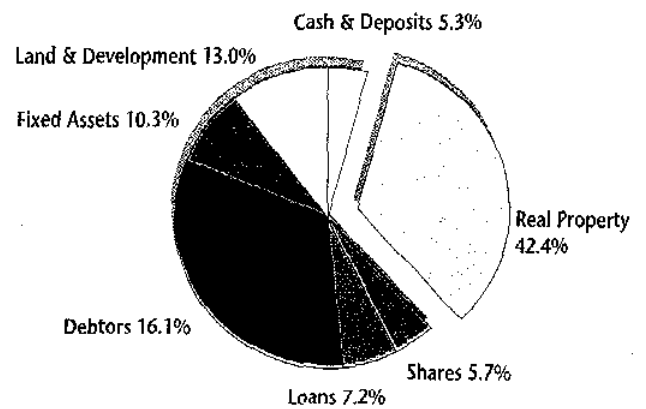
Gross Premiums Life



Company Assets



Group Assets



Proxy Form / Fomu ya Mwakilishi

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 11th July, 1997 at 12.00 noon and at any adjournment thereof.

Signed this.....day of.....1997

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 Julai 11, 1997 saa sita mchana au wakati wowote ikiwa mkutano utaahirishwa.

Iliwekwa sahihi tarehe.....siku ya.....1997

Sahihi.....

Kumbusho:

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