TOWARDS THE NEW MILLENIUM



Annual Review 1998

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Company Balance Sheet

Consolidated Balance Sheet

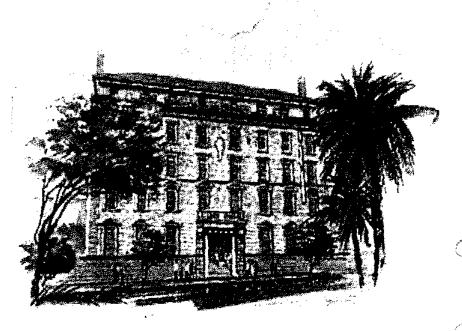
General Insurance Business Cash Flow Statement

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Financial Highlights

Proxy Form / Fomu ya Mwakilishi



## 20-7/0598

## Subsidiary Companies

Mae Properties Limited Runda Water Limited

## **Branch Offices**

#### Mombasa:

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

#### Kisumu:

Al-Imran Plaza 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: 61447 Fax: 62680 Eldoret.

#### Kisii:

Shabana Building P.O. Box 288 Tel: 30480 Fax: 31049 Kisii.

## Consulting Actuaries

Hymans Robertson (Kenya) Limited Nairobi.

### Bankers

#### Kenva:

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

#### Tanzania:

National Bank of Commerce Limited

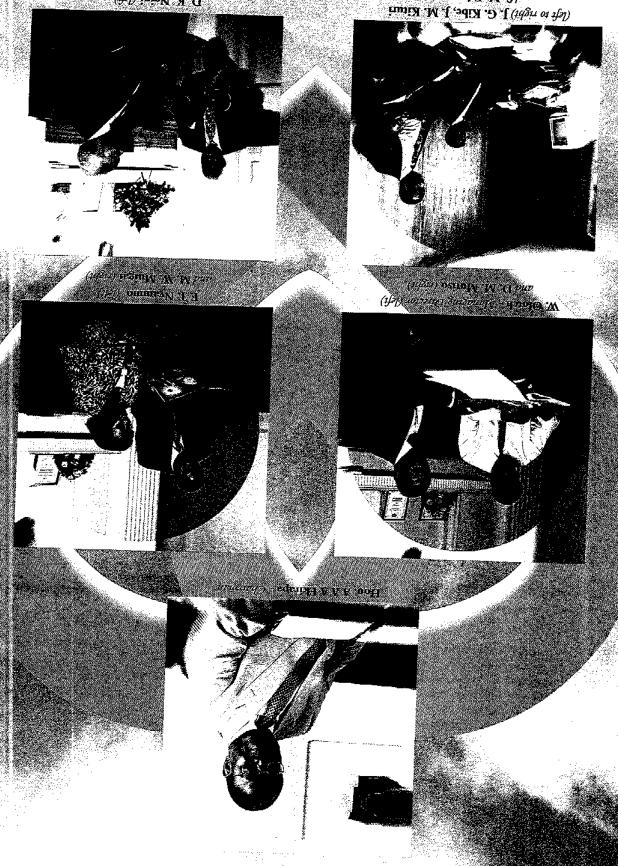
## Auditors

PriccwaterhouseCoopers P.O.Box 30158 Nairobi.





# Board of Directors



and S. M. Ethangana

D. K. Nguni (left) and E. W. Karinki (11ght)

# Chairman's Report



#### The Economic Environment

Kenya's economy continued to perform below expectations in 1998, despite positive indicators, in a number of sectors. There was a marked reduction in government borrowing from the private sector, as evidenced in the fall in interest rates on Treasury bills and bonds. As at the end of the year, the interest rate on the 91 days Treasury bill, fell to an all time low of 12.5% which in turn led to a further decline of the bank lending rates. On the other hand, the rate of inflation continued to fall to single digit figures due to the sustained reduction in money supply and the stable shilling exchange rate. Unfortunately, these measures did not spur the expected economic growth as tourism, manufacturing and agriculture or agricultural production, continued to be depressed. Other factors which continued to weaken investor confidence and contributed to a slow down in economic growth were the dilapidated state of the country's infrastructure, particularly roads, congested port operations, poor and expensive telecommunication services, unreliable power and water supply, incidences of insecurity and labour unrest.

#### Łegislative Environment

The 1998 Finance Act introduced a further restriction on the freedom of insurance companies to invest surplus funds. Insurance companies are now required to invest 20%, up from the previous 10%, of the admitted assets on long term business in government

securities, with 50% of such securities being of not less than 2 years duration. With Treasury bills at an all-time low, this requirement will impact negatively on insurance companies' ability to maximize returns on investments and it is my hope that the government will review the position soon.

Another piece of legislation which is causing concern is the recently enacted Retirement Benefits Act. The Act does not provide for pooled funds, managed by insurance companies, a practice that is well established and indeed widely used in market economies, elsewhere in the world. The Act requires among other things that there be separation of roles in the management of retirement benefits, which roles are grouped into Management, Custodianship and Administration. Insurance companies would not have a problem in complying with this requirement. Currently, some pension funds placed with insurance companies are for example, administered by brokers who also play an advisory role, a management function envisaged in the Act. Documents of title are in most cases entrusted with banks who therefore act as custodians. Even where these are retained by insurers, it would not be difficult to comply.

The requirement that would spell ruin to insurance companies relates to separation of investments relating to various pension schemes into identifiable

assets opposed to the current practice, the where pooled funds are used as an investment vehicle. There are many reasons why it would not be in the interest of the beneficiaries for insurance companies to be forced

comply. While pooled funds can be invested in a variety of assets to maximise

returns, a single pension scheme would not have such flexibility or the necessary volume to take advantage of economics of scale, where these are important. If the requirement was to be implemented without any modification to accommodate insurers, we shall be forced for example, to sell buildings where some of the pooled funds are invested without a guarantee that the realized values will represent fair prices for the assets to be liquidated.

The Insurance Act has adequate controls on superannuation funds and long term funds in general. The interest of contributors is adequately protected though there is always room for improvement and for insurance companies, improvements deemed necessary should have been incorporated within the Act.

#### Bomb Blast on 7th August 1998

The bomb blast which rocked Nairobi on 7th August 1998, caused many deaths, injuries and serious damage to property in the Central Business District. A number of claims arising from this tragic incident have been lodged and liability admitted where in the opinion of the Company, there was policy cover.

#### Investment in Reliance Insurance Company (T) Ltd.

At the last Annual General Meeting, I informed shareholders that the

Company was looking for investment opportunities in Uganda and Tanzania where it had operated branches in the past.



shareholders in lanzania and invested a sum of Tshs, 180 million (30% of the



Some Directors of Pan Africa, Reliance Insurance Company (T) Ltd. and some of the Senior Staff



paid up capital) in Reliance Insurance Company (T) Limited which is a locally incorporated company, transacting Non-Life insurance business with a paid-up share capital of Tanzania Shs. 600 million (approximately Kshs. 60.0 million). We are in addition pleased to let you know that we are discussing with another company in Africa for a working arrangement. The company is regarded as one of the leadets in Life assurance business on the continent and I will report more on the negotiations at the next AGM.

#### Company Performance

In spite of the economic climate, I am pleased to report that your Company performed reasonably well, both in non-life and life assurance business as follows:-

#### Non-Life Business:

This sector recorded a gross premium income of Shs. 524.1 million as compared to the previous year's figure of Shs. 529.3 million. This represents a



rketing Policies and Itegies

Reinsurance costs for the eperiod amounted to Shs. 2 1 1 million and the retained premium

drop of

income therefore amounted to Shs. 313 million which was an improvement on the previous year's figures of Shs. 237 million and Shs. 292.3 million respectively. Improvement in underwriting results experienced in 1997 continued in the year under review and I am pleased to note that an underwriting profit of Shs. 0.43 million was achieved for the first time in many years. The decrease in premium was largely due to rate reduction as a result of the intense competition in the market. The trend is worrying and it is my hope that the Association of Kenya Insurers will prevail on its members, to desist from rate cutting.

#### Life Business:

This sector of the business recorded a gross premium income of Shs. 184.8 million compared to Shs. 151.1 million in 1997, representing a growth of 22.2%. Reinsurance costs amounted to Shs. 8.7 million to end up with a net retained premium of Shs. 176.1 million, compared to Shs. 142 million the previous year, representing a growth of 23.3%. The growth rate realized in individual business was 18.4% while superannuation business recorded a higher growth of 51.46%.

The overall results of the business was an increase in the Life Fund by Shs. 38 million compared to Shs. 17.6 million reported in 1997. The Fund now stands at Shs. 771 million which is an increase from the previous level of Shs. 733 million. This represented a growth of 5.2%.

The Fund has a strong solvency position as confirmed by an actuarial valuation carried out as at 31st December 1998. A bonus of 5% of sum assured has consequently been recommended, to with profit policyholders.

## Performance of Subsidiary Companies

The Company's subsidiaries, Mae Properties Limited and Runda Water Limited, recorded a combined pre-tax profit of Shs. 50 million compared to Shs. 45 million realized the previous year.

#### Company & Group Results

The Company realized an investment income of Shs. 117.1 million an increase from the previous year's figure of Shs. 114.6 million, or 2%. A pre-tax profit of Shs. 102.0 million was realized by the Company up from Shs. 101.3 million recorded in 1997. The group pre-tax profit also followed the same trend at Shs. 127.1 million from Shs. 106.3 million in 1997, a growth of 19.5%.



## Growth of Assets & Shareholders' Funds

Group assets grew from Shs. 2.5 billion to Shs. 2.6 billion.

#### **Dividends**

Your Board recommends a dividend of Shs. 22.75 million which is at the same rate (35%) as previously declared on the issued capital of Shs. 65 million. The Board wishes to tetain the surplus earnings to strengthen the Company's reserve base.

#### Bonus Issue

Your Board is recommending for your approval, capitalization of Kshs. 15 million out of the available distributable reserves of

h Company, by. the issue of 3 million fully paidup shares of Kshs. 5 cach to sharcholders in the Shareholders' Register on 16th

(une 1999



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in the proportion of 3 bonus shares for every 13 shares held, subject to the approval of the Capital Markets Authority.

#### Conclusion

Finally, I wish to express my appreciation for the support I received throughout the year from my fellow Directors, Management and staff of the Company, which enabled the Company achieve the good performance. I also wish to thank our shareholders, policyholders, agents and brokers for their continued support.

Hon. A.A.A. Ekirapa, M.P. Chairman



## Taarifa ya Mwenyekiti



Mazingira ya Kiuchumi

Kadka/mwaka wa 1998, uchumi wa Kenya haukuimarika kama ilivyotarajiwa licha ya ishara nzuri katika sekta kadha wa kadha. Kulikuwa na kupungua kwa mikopo ya serikali kutoka sekta za kibinafsi kama ilivyodhihirika katika kupungua kwa viwango vya riba ya bima za Hazina ya Serikali. Kufikia mwisho wa mwaka, kiwango cha bima za Hazina ya Serikali za siku tisini kilipungua na kufikia kiwango cha chini kabisa cha asilimia 12.5. Kupungua huku kulisababisha kushuka zaidi, kwaviwango vya faida ya ukopeshaji katika? benki. Kwa upande mwingine, kiwango. cha gharama ya maisha killendelea kupunguka hadi kufikia tatakinya inoja kutokana na kupungua kwa kiasi cha fedha na kuimarika kwa kiwango cha ubadilishaji wa shilingi. Kwa bahati mbaya, hatua hizi hazikuwa changamoto katika kuimarisha uchumi kama ilivyotarajiwa kwa sababu biashara ya utalii, utengenezaji bidhaa, kilimo au uzalishaji wa kilimo viliendelea kuzorota, Sababu zingine ambazo ziliendelea kudhoofisha imani ya watega uchumi na kuchangia kuzorota meandeleo ya kiuchumi ni kama vile hali mbaya ya muundombinu wa nchi hasa barabara, msongamano katika bandari, huduma mbovu na ghali za mawasiliano ya simu, utoaji wa huduma za maji na umeme usiotegemeeka, ukosefu wa usalama na misukosuko ya kikazi.

Inaweza kutabiriwa kwamba kipindi cha kwanza cha mwaka wa 1999 hakitarajiwi kuwa na usitawi zaidi. Hata hivyo, inatarajiwa kwamba kufikia kipindi cha pili cha mwaka, ukuaji wa kiuchumi utafufuka iwapo mazingira ya jumla ya kiuchumi kama vile kiwango cha chini cha gharama ya maisha, kiwango thabiti cha ubadilishaji wa shilingi na viwango vya chini vya riba yataendelea kuwepo. Mwisho kabisa, kufufuliwa kwa miradi ya kiuchumi

baina ya nchi na washiriki wake katika maendeleo pamoja na kuhurisha biashara baadaye mwakani katika Jumuiya ya Afrika Mashariki, yenye soko la watu milioni 84.4 kunatarajiwa kufufua na kuimarisha uchumi.

Mazingira ya Kisheria

Shoria ya Fedha ya mwaka wa 1998 ilileta vikwazo zaidi katika uhuru wa makampuni ya bima kutega uchumi kwa kutumia fedha za ziada. Makampuni ya bima sasa yanahitajika kutega uchumi kwa kurumia asilimia ishirini ya rasilmali iliyotangazwa katika biashara ya muda mrefu katika dhamana za serikali na asilimia hamsini za hizo dhamana ziwe za muda usiopungua miaka miwili. Kiwango hiki ni ongezeko kutoka asilimia kumi ya hapo awali. Kwa kuwa kiwango cha riba cha bima za Hazina ya Serikali ni cha chini sana kupita wakati wowote ule, mahitaji haya yataathiri vibaya uwezo wa makampuni ya bima kuongeza upeo wa faida kutokana na vitega uchumi na matumaini yangu ni kwamba serikali itachunguza upya jambo hili hivi karibuni. Sheria ingine ambayo inaleta wasiwasi ni ile iliyopitishwa majuzi ya Sheria ya Malipo ya Kustaafu. Sheria hii haishughulikii fedha za mchango zinazosimamiwa na makampuni ya bima. Usimamizi wa fedha za aina hii umekuwepo kwa muda mrefu na unatumiwa katika chumi za soko kwingine ulimwenguni. Sheria hii inahitaji kwamba kuwe na kwamba inahitaji kutenganishwa kwa majukumu katika uendeshaji na usimamizi wa faida za Majukumu haya ustaafu. yamegawanywa mara tatu, usimamizi, utunzi na uendeshaji. Makampuni ya bima hayatakuwa na shida kuzingatia agizo hili. Kwa sasa baadhi ya fedha za malino ustaafu ambazo уa zimekabidhiwa makampuni ya bima kwa mfano, zinasimamiwa na madalali ambao pia huwa na jukumu la ushauri ambalo ni shughuli ya usimamizi inayoshughulikiwa na sheria hiyo. Hati za umiliki mara nyingi huhifadhiwa katika benki kama watunzi wa hati hizo.

Hata pale zinapohifadhiwa na kampuni ya bima, haitakuwa vigumu kuafiki.

Mahitaji ambayo yangeathiri vibaya makampuni ya bima yanahusu kutenganishwa kwa a vitegauchumi

vinavyohusu miradi ya fedha za malipo ya uzeeni katika rasilmali mahsusi kinyume na mambo yalivyo sasa ambapo fedha za mchango zinatumiwa kama chombo cha kutega uchumi. Zipo sababu nyingi ni kwa nini itakuwa ni kwa manufaa ya wafaidi iwapo makampuni ya bima yatashurutishwa kuzingatia sheria hii. Ingawa fedha za mchango zinaweza kutumiwa kutega uchumi katika rasilmali kadha kuongeza kiwango cha faida, mpango mmoja wa hazina ya malipo ya uzeeni hautaweza kuwa na uwezo wa kubadilishwa au kiasi kinachohitajika kuweza kufaidika na uchumi wa viwango ambapo ni muhimu. Iwapo mahitaji haya yangetekelezwa bila kufanyiwa marekebisho ili kuhusisha makampuni ya bima, tutalazimika kwa mfano kuuza nyumba ambapo baadhi ya fedha za mchango zimetumiwa kutega uchumi bila hakikisho kuwa thamani itakayopatikana itawakilisha bei mwafaka kwa rasilmali itakayouzwa.

Sheria ya bima ina uthibiti wa kutosha juu ya fedha za ustaafu na hazina za muda mrefu kwa jumla. Maslahi ya wanaochangia hazina hii yamelindwa vizuri ingawa kuna nafasi ya kuboresha sheria hii na kwa makampuni ya bima, marekebisho yanayohitajika yangekuwa yameingizwa katika sheria hii.

Mlipuko wa Bomu wa Agosti 7, 1998

Mlipüko wa bomu ulioukumba mji wa Nairobi tarehe 7 Agosti mwaka wa 1998 ulisababisha vifo vingi, majeruhi na madhara mengi kwa mali iliyo katika eneo la biashara katikati ya mji.

Madai kadha kutokana na tukio hili la kuhuzunisha yamefanywa na dhamana kukubaliwa pale ambapo kulingana na Kampuni kulikuwa na bima mwafaka.

Kutega Uchumi katika Kampuni ya Bima ya Reliance (Tanzania)

Karika Mkutano Mkuu wa Mwaka wa mwisho, niliwaatifu wenye hisa kwamba Kampuni ilikuwa inatafuta nafasi za

kutega uchumi nchini Uganda na Tanzania ambamo ilikuwa na matawi hapo awali.

Nina furaha kuripoti kwamba Kampuni imeshirikiana na wenye hisa nchini Tanzania kwa kutumia shilingi milioni 180 za

Tanzania (asilimia 30



Sera na Mikakati ya Uuzaji

# Taarifa ya Mwenyekiti

ya hisa ya mtaji) katika Reliance Insurance Company (T) Limited ambayo ni Kampuni ya muungano ya nchini Tanzania inayojishughulisha na biashara ya bima zisizo za maisha yenye rasilmali ya bima zilizolipwa ya shilingi



Kundi la Wakurugenzi wa Pan Africa pamoja na wa Kampuni ya Bima ya Reliance (Tanzania) na kundi la Wasimamizi kadhaa

za Tanzania milioni 600 (takribani shilingi milioni 60 za Kenya) Aidha, tuna furaha kuwajulisha kwamba tunajadiliana na Kampuni nyingine humu barani Afrika kwa mkataba wa kufanya kazi pamoja. Kampuni hiyo inachukuliwa kuwa mojawapo ya Kampuni zinazoongoza katika biashara ya bima za maisha katika bara hili na nitatoa habari zaidi za majadiliano haya katika Mkutano Mkuu wa mwaka ujao.

#### Utendaji wa Kampuni

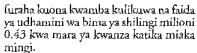
Licha ya hali ya kiuchumi, nina furaha kuripoti kwamba Kampuni yetu imetenda vizuri katika biashata ya bima za maisha na zisizokuwa za maisha kama ifwatavyo:-

Biashara ya Bima zisizokuwa za Maisha:

Sekta hii ilirekodi mapato ya jumla ya mauzo ya bima ya shilingi milioni 524.1 yakilinganishwa na yale ya mwaka uliotangulia ya shilingi milioni 529.3. Hii inawakilisha kupungua kwa asilimia moja. Gharama za kuweka bima katika Kampuni zingine katika kipindi hiki zilifikia shilingi milioni 211 na mapato halisi ya bima yaliyohifadhiwa kwa hivyo yalifikia shilingi milioni 313 ambazo zinadhihirisha kuimarika kutoka za mwaka jana za shilingi milioni 237 na

Kuimarika kwa matokeo ya udhamini wa

i m kulikopatikana mwaka wa 1997 kuliendelea mwaka uliofuata na nina



Kupungua kwa hima kulisababishwa kwa kiasi kikubwa na kupunguzwa kwa viwango kutokana na ushindani mkali katika soko la biashara hii.

Hali hii inatia wasiwasi na ni matumaini yangu kwamba Shirika la Makampuni ya Bima (AKI) litaingilia kati na kuwashauri wanachama wake wakome kupunguza viwango.

#### Bima za Maisha:

Sekta hii ya biashara ilirekodi mapato ya jumla ya mauzo ya bima ya shilingi milioni 184.8 ikilinganishwa na milioni 151.1 za mwaka wa 1997. Hili ni ongezeko la asilimia 22.2. Gharama za kuweka hima katika Kampuni zingine zilifikia shilingi milioni 8.7 na hivyo kufikia mapato halisi ya bima yaliyohifadhiwa ya shilingi milioni 176.1 yakilinganishwa na shilingi milioni 142 ya mwaka uliotangulia. Hili ni ongezeko la asilimia 23.3. Kiwango cha ukuaji kilichopatikana katika piasila kibinafsi kilikuwa asilimia 18.4 ankano kai biashara ya bima za uzceni zintekta ila ukuaji wa juu zaidi wa asilimia 51.46 ku ku ilicha wa jumla va biashara hii ila kilichopatikana katika biashara ongezeko la hazina ya Bima za maisha kwa shilingi milioni 38 ikilinganishwa na shilingi milioni 17,6 zilizoripotiwa mwaka wa 1997. Hazina hii sasa ina shilingi milioni 771 ambalo ni ongezeko kutoka kiwango cha awali cha shilingi milioni 733. Hii inawakilisha kukua kwa asilimia 5.2. Hazina hii ina uwezo mkubwa wa kulipa madeni kama ilivyothibitishwa na ukadiriaji halisi uliofanywa kufikia tarche 31 Desemba 1998. Malipo ya ziada ya asilimia tano (5%) ya kiasi kilichowekwa bima yamependekezwa kwa kila mmoja aliye na bima ya faida.

#### Utendaji wa Kampuni Tanzu

Kampuni ranzu za Mae Properties Limited na Runda Water Limited zilirekodi faida ya shilingi milioni 50 kabla ya kutozwa kodi ikilinganishwa na shilingi milioni 45 zilizopatikana mwaka uliotangulia.

#### Matokeo ya Kampuni na Kundi Nzima

Kampuni ilipata shilingi milioni 117.1 kutokana na utegaji uchumi ambalo ni ongczeko la mapato ya mwaka uliotangulia ya shilingi milioni 114.6 au

asilimia mbili (2%). Faida ya kabla ya kodi ya shilingi milioni 102 ilipatikana ambalo ni ongezeko kutoka shilingi milioni 101.3 ya mwaka wa 1997. Faida ya kabla ya kodi ya Kampuni nzima ilifuata mkondo huo huo na kuongezeka kufikia shilingi milioni 127.1 kutoka shilingi milioni 106.3 za mwaka wa 1997 ambao ni ukuaji wa asilimia 19.5.

#### Ukuaji wa Rasilmali na Hazina ya wenye Hisa

Rasilmali za Kampuni nzima zilikua kutoka shilingi bilioni 2.5 hadi 2.6.

Mgawo//

Halmashauri yenu inapendekeza mgawo wa shilingi milioni 22.75 ambao ni wa kiwango sawa (35%) na kile kilichotangazwa awali kutokana na rasilmali iliyotangazwa ya shilingi milioni 65. Halmashauri ingependa kuhifadhi mapato ya ziada ili kuimarisha mtaji wa Kampuni.

#### Swala la Malipo ya Ziada

Halmashauri yenu inapendekeza Tawamba mtoe kibali kufanywa rasilmali kwa shilingi milioni 15 kutoka hazina iliyopo



#### Teknolojia za kisasa za Kompyuta

wenyehisa katika orodha ya wenye hisa tarche 16 Juni 1999 katika kiwango cha hisa tatu za ziada kwa kila hisa 13 zilizomilikiwa mradi kibali kitolewe na Halmashauri ya Masoko ya Rasimali.

#### Hitimisho

kila

moja

Mwasho kabisa, ningependa kutoa shukrani zangu kwa wakurugenzi wenzangu, viongozi pamoja na wafanyi kazi wa Kampuni kwa kuniunga mkono mwaka mzima ambako kuliwezesha Kampuni kufikia kiwango kizuri cha ufanisi. Ningependa pia kuwashukuru wenye hisa, wenye bima, maajenti na madalali kwa kuendelea kutuunga nikono.

MHE. A.A.A. Ekirapa, M.P. Mwenyekiti





Notice is hereby given that the 54th Annual General Meeting of Pan Africa Insurance Company Limited will be held on 18th June, 1999 at the Patterson Room, The Stanley, Nairobi, at 12.00 noon to transact the following business:

- 1 To confirm the Minutes of the Annual General Meeting held on 26th June, 1998.
- 2 To receive the audited financial statements for the year ended 31st December, 1998 and the Report of the Chairman and Directors.
- 3 To approve the payment of a first and final dividend of Shs. 22.75 million, being 35% of the issued share capital.
- 4 To elect Directors and fix their fees.
- 5 To re-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 thirteen held by shareholders registered in the Company's Register on 16th June 1999 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, 1998 and earmarked for payment on or around 14th July, 1999.
- 7 To transact any other business with the permission of the Chair.

By Order of the Board.

#### S M Muhia

Secretary

18th May, 1999

Registered Office

Pan Africa House Kenyatta Avenue P. O. Box 62551 Tel. 339544 - 9

Naitobi

E-mail: insure@pan-africa.com

#### Note:

A shareholder entitled to attend and vote may appoint a proxy who need not to be a member of the Company, to attend or 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 wa hamsini na nne mkuu wa kampuni ya Pan Africa Insurance Company Limited utafanyika katika Patterson Room, The Stanley, Nairobi, siku ya Ijumaa, Juni 18, 1999, saa sita mchana kujadili mambo yafuatayo:

- 1 Kuthibitisha kumbukumbu za mkutano wa mwaka uliofanywa mnamo tarche juni 26, 1998.
- 2 Kupokea taarifa ya hesabu ya pesa kwa mwaka uliomalizika tarche 31 Desemba, 1998 pamoja na taarifa ya Mwenyekiti na Wakurugenzi.
- 3 Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa shilingi 22.75 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 za shilingi 5 kila moja kwa kila hisa kumi na tatu za kawaida kwa wenye hisa wa kampuni hii mnamo tarehe 16 Juni 1999, lakini hazitahusika katika mgao wa faida uliopendekezwa wa mwaka wa fedha uliomalizika Decemba 31, 1998 unaotarajiwa kulipwa hapo ama karibu Julai 14, 1999.
- 7 Kujadili mambo mengine yoyote yatakayotolewa kwa idhini ya Mwenyekiti.

Kwa Amri ya Halmashauri.

#### S M Muhia

Katibu

18 Mai, 1999

Ofisi Kuu

Pan Africa House Kenyatta Avenue S L Posta 62551 Simu: 339544 - 9

Nairobi

E-mail: insure@pan-africa.com

#### 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.





Directors

Hon. A A A Ekirapa

Chairman

W Olotch

Managing

FT Nyammo

D M Mutiso

D K Ngini

M W Muigai (Mrs)

J M Kituri

J G Kibe

S M Ethangatta

E W Kariuki

Secretary S M Muhia

> The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st December, 1998.

#### Principal Activities

The Principal activity of the Company during the year was the transaction of all classes of insurance business.

#### Results

The consolidated profit for the year and the appropriation thereof are set out in the profit and loss account on page 15.

#### Dividends

The Directors recommend the payment of Shs. 22,750,000, being the first and final dividend for the year.

#### Directors

- 5(i) Mr. D. N. Gachuche resigned as a Director on 23rd June 1998, and Mr. E. W. Kariuki was appointed a Director of the Company on 26th June 1998.
- (ii) In accordance with the Company's Articles of Association, Messrs F T Nyammo, D K Ngini and Mrs M W Muigai retire by rotation and, being eligible, offer themselves for re-election.

#### Auditors

6. Pricewaterhouse Coopers were appointed as auditors following the merger of the former auditors, Coopers & Lybrand with Price Waterhouse and, being eligible, offer themselves for re-appointment in accordance with section 159(2) of the Companies Act at fees to be fixed by the Directors.

By order of the Board.

#### S M Muhia

Secretary

18th May, 1999



We have audited the financial statements set out on pages 12 to 31. The financial statements of the Company set out on pages 18 to 20 are in agreement with the books of account. We have 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

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's and Group's state of affairs and the Group's profit or loss. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report out 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 financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

#### Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1998, 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 Kenya Accounting Standards and the Companies Act (Cap. 486).

#### PricewaterhouseCoopers

Certified Public Accountants of Kenya Nairobi.

22nd May, 1999



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

#### 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 Pools' 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' results 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.

#### 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.

#### (C) Investment Income

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

# Statement of Principal Accounting Policies

#### (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 not 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 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 uncarned discount is included in creditars and steeling. ited to income over

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 insuffici 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

Tand and development, which relates to a subsidiary company, is stated at open market value, while infrastructure costs are written off as and when incurred except for the cost of unsold plots which is deferred.

#### (H) Stocks

1- 34

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 accounts in respect of the longterm 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.

#### (L) Retirement Benefits

The Company operates a defined contribution pension scheme for all permanent employees. The Company's contributions are charged to the profit and loss account and the life revenue accounts in the period in which they fall due.

# Profit and Loss Account For the year ended 31 st December, 1998

	Note	1998 Group Shs.	1998 Company Shs.	1997 Group Shs.	1997 Company Shs.
Income Investment income Subsidiaries' profits before		92,053,901	117,053,901	74,608,310	114,608,310
taxation		50,103,220	<u>.</u>	45,034,714	
Total income		142,157,121	117,053,901	119,643,024	114,608,310
Profit/(Loss) transferred from General insurance revenue accounts Expenses not charged to other		429,549	429,549	(5,650,823)	(5,650,823)
accounts		(15,449,918)	(15,449,918)	(7,680,767)	(7,680,767)
Total outgoings		(15,020,369)	(15,020,369)	(13,331,590)	(13,331,590)
Profit before taxation Provision for taxation	1 4	127,136,752 (58,228,654)	102,033,532 (26,752,499)	106,311,434 (41,850,614)	101,276,720 (21,446,852)
Profit after taxation		68,908,098	75,281,033	64,460,820	79,829,868
Profit attributable to shareholders of P.A.I.C	5	68,908,098	75,281,033	64,460,820	79,829,868
Unappropriated profit brought forward		165,642,828	168,369,766	137,770,386	125,128,276
The defendance because the		234,550,926	243,650,799	202,231,206	204,958,144
Unclaimed statute barred dividends written back		3,427,703	3,427,703	1,161,622	1,161,622
Profit available for appropriation		237,978,629	247,078,502	203,392,828	206,119,766
Appropriations Bonus shares issued Proposed dividends		(22,750,000)	(22,750,000)	(15,000,000) (22,750,000)	(15,000,000) (22,750,000)
Unappropriated profit carried forward		215,228,629	224,328,502	165,642,828	168,369,766
Earnings per Share	6	5.30	5.79	4.96	6.14



# General Insurance Business Revenue Accounts For the year ended at the December, 1998

Underwriting (Loss)\Profit Transferred to Profit & Loss Account	Commission and Expenses	Premium cax & Jevies	Commission Expenses	Claims Incurred	Claims Paid Claims outstanding at 31.12.98 Claims outstanding at 1.1.98	Net Earned Premium	Net Written Premium Linearned premium at 1.1.98 Uncarned premium at 31.12.98	
(\$13,272)	0	} }	. 0	513,272	1,251,597 98 11,007,815 (11,746,140)		% 	Mator Pool Shs.
1,933,745	4,966,459	326,509	1,313,314 3,326,636	(1,979,060)	(2,116,959) 948,487 (810,588)	4,921,144	4,853,445 274,048 (206,349)	C.A.R & Engineering Shs.
3,876,075	2,520,016	202,388	255,603 2,062,025	3,325,667	3,923,521 1,762,625 (2,360,479)	9,721,758	9,535,860 2,189,196 (2,003,298)	Fire Domestic Shs.
3,991,923	25,143,046	1,447,753	8,944,880 14,750,413	9,386,962	8,941,414 18,666,770 (18,221,222)	38,521,931	40,852,361 9,145,245 (11,475,675)	Fire Industrial Shs.
3,443,423	982,611	72,055	176,426 734,130	(2,456,222)	595,784 14,764,144 (17,816,150)	1,969,812	268,051 2,273,748 (571,987)	Liability Insurance Shs.
(9,612,014)	6,611,623	439,451	1,694,827 4,477,345	12,310,715	13,082,474 7,360,782 (8,132,541)	9,310,324	9,273,280 4,192,850 (4,155,806)	Marine & Transit Shs.
(16,733,094)	20,551,818	1,385,213	5,053,374 14,113,23)	61,744,381	63,433,719 62,189,584 (63,878,922)	65,563,105	68,239,740 21,975,035 (24,651,670)	Motor Private Shs.
16,828,938	42,976,185	2,995,752	9,458,241 30,522,192	51,721,008	63,433,719 46,541,845 62,189,584 131,974,513 (63,878,922) (126,795,350)	111,526,131	126,766,799 40,026,045 (55,266,713)	Motor Commercial Shs.
(16,039,593)	8,948,430	679,657	1,344,099 6,924,674	27,343,954	22,346,168 18,059,704 (13,061,918)	20,252,791	27,215,887 5,346,690 (12,305,786)	P.A & Medical Shs.
4,089,037	3,604,775	439,706	(1,314,866) 4,479,935	5,487,390	1,479,942 17,072,419 (13,064,971)	13,181,202	13,238,294 3,494,351 (3,551,443)	Theft Insurance 4 Shs.
5,068,926	3,643,870	169,643	1,745,818 1,728,409	238,171	4,164,376 27,890,290 (31,816,495)	8,950,967	8,98),134 3,035,790 (3,065,957)	Workmen's Compensation Shs.
4,095,453	1,423,653	119,877	82,406 1,221,370	(2,105,612)	(2,148,894) 2,921,661 (2,878,381)	3,413,492	3,783,609 1,316,123 (1,686,240)	Misc. Accident Shs.
429,549	1,423,653	8,278,004	82,406 <b>28,754,122</b> 21,370 <b>84,34</b> 0,360	(2,105,612) 165,530,623	(2,148,894) 161,494,985 141,1112,008 2,921,661 314,618,794 310,583,157 (2,878,381) (310,583,157) (267,577,281)	287,332,657 282,943,164	3,783,609 313,008,460 292,329,154 1,316,123 98,369,121 83,883,130 (1,686,240) (1,18,944,924) (93,269,120)	Total 1998 Shs.
JS 650,823)	104,476,103	6,390,291	27,161,006 70,924,806	184,117,884	741/112,008 310,583,157 267,577,281)	282,943,164	292,329,154 83,883,130 (93,269,120)	Total 1997 Shs,

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	Statu	itory Funds			
	Ordinary Life Shs.	Super Annuation Shs-	General Fund Shs.	Total 1998 Shs.	Total 1997 Shs.
Net premium Claims incurted:	155,067,677	21,008,662		476,076,339	142,985,673
Death	8,449,914	1,291,611	1 - 40 - 40 - 10 - 10 - 10 - 10 - 10 - 1	9,741,525	12,280,051
Maturity	20,951,584	-		20,951,584	27,447,593
Other	16,236,758	-		16,236,758	14,178,731
Total claims Surrender (including	45,638,256	1,291,611		46:939-867	53.906;375
surrender of bonus)	3,573,766	2,044,125		5.617.891	6,081,933
Annuities paid	10,108,059			10,108,059	6,630,681
Total benefits payments	(59,320,081)	(3,335,736)		(62.655.817)	(66,618,989)
Commission	30,367,458	844,157		31,211,615	25,480,533
Expenses of management		4,137,852		101.281.561	92.519.482
Other expenses	2,357,407	235,115		2,592,522	1.490.423
Total expenses	(129,868,574)	(5,217,124)		(135 1085,698)	(119,490,438)
Investment income 2 Revaluation(deficit)/	34,381,472	8,012,398	17,518,504	591912,374	56,240.407
surplus 7( Transfer from	b) (137,373)	(5,851)	(70,693)	(213.917)).	4522981
General Fund 3	40,000,000	20,000,000	(60,000,000)		
Increase/(Decrease) in Life Funds 1	40,123,121	40,462,349	(42,552,189)	38,033,281	17,639,634
Funds at the beginning of the year	470,730,270	20,050,830	242,239,706	733,020,806	715,381,172
Funds at the end of the yea	r 510,853,391	60,513,179	199,687,517	771,054,087	733,020,806

		Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1998 Shs.	Total 1997 Shs.
Share Capital Authorised Issued and fully paid	Note 9		100,000,000 65,600,000	180,000,000 65,000.000	100,000,000 65,000,000
Reserves: Available for appropriation: General Unappropriated profit			8.612.445 224328.502	8,612,445 224,328,502	\$.612445 16\$.369,766
Not available for appropriation: Surplus transferred from life fund Investment fluctuations	10		232,940,947 37,337,000 403,148,975	233,940,947 37,337,000 403,148,975	176,982,2 <sub>14</sub> , 37,337,000 393,926,838
Life Funds: Statutory Funds General Fund	11	571,366,570 199,687,517	440,485,975	440.485.975 571.366.570 199.687.547	431,263,838 490,781,600 242,2393,706
Total paid up capital, reserves and life funds		771,054,087	738,426,922	771-054-087 1/509-481/000	733,020,806 1,406,266,855
Assets: Fixed Assets: Motor vehicles Less: Depreciation		15,905,061 (15,650,973)	3,555,534 (1,262,288)	£9,460(595 (16,913,261)	18,37 <i>5</i> ,227 (15,691,744)
Furniture and office equipment Less: Depreciation		254,088 111,312,864 (62,678,327)	2,293,246 79,735,860 (34,015,247)	2,547,334 191,048,724 (96,693,574)	2,683,483 187,471,849 (74,694,279)
	13(a)	48,634,537	45,720,613 48,013,859	94;355,150 96;9 <del>02</del> ,484	112,777,570 115,461,053

		Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1998 Shs.	Total 1997 Slis
	Note				
Investments Securities issued by the					
Government of Kenya		95,200,000	104,800,000	200,000,000	133,100,000
Freehold & Leasehold properties	7(a)	595,000,000	433,527,150	1,028,527,150	1,028,527.150
Ordinary shares quoted on the Nairobi stock exchange	7(b)	27,328,046	35,766,937	65094,983	60(247.763
Ordinary shares (Unquoted)	8	-	127,407,560	127,407.560	CONTRACTOR
Loans secured by mortgages					
on real property  Loans on life insurance policies within	n		124,971,943	124,971,943	125.141,298
their surrender values	.1	63,459, <b>105</b>		63,459,105	59,861,256
Deposits with Banks		3,965,220	18,483,221	22,448.441	18,554.257
Deposits with non bank financial institutions		11,869,813	6,562,894	48,452,707	46:000:000
imancial institutions		11,00,012	9,902,074	111, 11, 22, 103	
		796,822,184	851,519,705	1,648,341,889	1.542,610,329
Current Assets : Cash & bank		4,942,175	6,410,239	11,352,414	19,023,520
Oustanding premium		1,712,17	155,302,394	155,302,394	3127.000596
Amounts retained under				44.	
reinsurance contracts Tax recoverable		47,671 92,626	The Committee of Committee of the Commit	190.613,142 = 11.548.064.	** 135.67 24020 ** - 14.260.626
Due from related corporate body		92,020 -	11,455,438 52,600,422	52,600,422	38 320 939
Sundry debtors		48,065,311	46,412,066	94,477,377	75,203,741
		E2 1 47 702	462.746.828	ETE GOD 013	Assess 1
		53,147,783	462,746,030	515,893,813	40K7 <b>5</b> 71,442
Total Assets		898,858,592	1,362,279,594	2,261.138.186	2064.642,824
Liabilities		PV V Sy			
Underwriting Provisions:					
Unearned premiums		66,449,855	118,944,925 314,618,794	118,944,925 381,068,649	93,269,120 373,848,751
Outstanding claims		UU,447,033	J14,016,/74	2011,000,017	J/J,040,/JI
		66,449,855	433,563,719	500,013,574	467,117,871



		Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1998 Shs.	Total 1997 Shs.
	Note				
Current liabilities:					
Dividends payable	16		37,660,407	37,660,407	33,5 <b>38,444</b>
Amounts due to reinsurers		4,380,665	86,602,718	90,983,383	84,280,223
Tax payable			29,861,369		3,108,870
Sundry creditors		77.679	10,007,715		56,887,444
Due to related corporate body		7,317,472		7,317,472	
Bank overdraft	17		26,156,744	26456.744	6,125,645
Total Liabilities		61,354,650	190,288,953	1211945 (415) 24174	891,258,098
iosai Liadiitues		127,804,505	623,852,672	A SACTOR OF	638.5758.969
		771,054,087	738,426,922	1 10 1 1 2 F 19 F 1	F #Har Kapiter

The financial statements on pages 12 to 31 were approved by the Board of Directors on 30th April,1999 and signed on its behalf by:

Hon. A. A. A. Ekirapa E. T. Nyammo

F. T. Nyammo W. Olotch Chairman Director, \ Principal Officer

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<b>Y</b> .	Long Term Insurance Business Shs.		Total 1998 Shs.	Total 1997 Shs.
Note Share Capital 9			. 1. <sup>1</sup> . 1841 -	
Authorised		100,000,000	100,000,000	100,000,000
Issued and fully paid	•	65,000,000	65,000,000	65,000,000
Reserves:	D.			
Available for appropriation:	•	o (10 ///c	0.613.465	9 (12 (45
General Unappropriated profit		8.612,445 215,228,629	8,612,445 215,228,629	8,612,445 165,642,828
Not available for appropriation:		223,841,074	223,841,074	174,255,273
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 reserve 10	_	627,959,830	627,959,830	673,161,506
		666,102,121	666,102,121	711,303,797
Life funds:				
Statutory Funds 11	571,366,570	-	571,366,570	490,781,100
General Fund	199,687,517		199,687,517	242,239,706
	771,054,087		771,054,087	733,020,806
Total paid up capital, reserves and life funds	771,054,087	954.943	725,997,282	1,683,579,876
Deferred taxation 12	-		80,929,951	107,134,025
	771.05 (.007			1 700 713 001
	771,054,087	1,035,873,146	1,806/927,239	1,790,713,901
Assets:			10	
Fixed Assets:	15 005 07	0.700.202	Pak mak kka	22 210 075
Motor vehicles less: Depreciation	15,905,061 (15,650,973)	8,799,382 (5,817,114)	24,704,443 (21,468,087)	23,219,075 (20,014,626)
less: Depreciation	(1),030,9/3)	(3,017,114)	(21,400,007)	(20,014,020)
	254,088	2,982,268	3,236,356	3,204,449
Furniture and office equipment	111,312,864	118,805,274	230,118,138	216,186,209
less : Depreciation	(62,678,327)	(47,572,609)	(110,250,936)	(83,470,952)
	48,634,537	71,232,665	119,867,202	132,715,257



# Consolidated Balance Sheet continued as at 31st December, 1998

	Note	Long Term Insurance Business Shs.	General Insurance Business Shs.	Total 1998 Shs.	Total 1997 Shs.
Land and buildings less : Depreciation	Note	-	115,041,696 (8,089,563)	115,041,696 (8,089,563)	114,256,857 (5,422,747)
		<del>-</del>	106,952,133	106,952,133	108,834,110
	13(Б)	48,888,625	181,167,066	230,055,691	244,753,816
Land and development	14	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	226,971,000	226,971,000	307,650,000
Investments:					
Securities issued by the Government of Kenya Freehold & Leasehold properties	7(a)	95,200,000 595,000,000	104,800,000 433,527,150	200,000,000 1,028,527,150	133,100,000 1,028,527,150
Ordinary shares quoted on the Nairobi stock exchange Ordinary shares (Unquoted)	7(b) 8	27,328,046	35,766,937 86,574,955	63,094,983 86,574,955	60,247,763 60,046,000
Loans secured by mortgages on real property			124,971,943	124,971,943	125,441,298
Loans on life insurance policies within their surrender values Deposits with banks Deposits with non bank		63,459,105 3,965,220	18,483,221	63,459,105 22,448,441	59,861,256 18,554,257
financial institutions		11,869,813	6,562,894	18,432,707	16,000,000
		796,822,184	810,687,100	1,607,509,284	1,501,777,724
Current assets: Cash & bank Oustanding premium Amounts retained under		<b>4,942,</b> 175	9,250,693 155,302,394	14,192,868 155,302,394	24,515,684 127,090,596
reinsurance contracts Tax recoverable		47,671 92,626	190,565,471 11,495,438	190,613,142 11,588,064	135,672,020 11,260,626
Stocks	15	72,020	6,852,780	6,852,780	10,290,507
Deferred Costs		-	41,675,424	41,675,424	62,185,843
Sundry debtors		48,065,311	119,144,550	167,209,861	95,681,884
		53,147,783	534,286,750	587,434,533	466,697,160
Total assets:		898,858,592	1,753,111,916	2,651,970,508	2,520,878,700



	Note	Long Term Insurance Business Slis.	General Insurance Business Shs.	Total 1998 Shs.	Total 1997 Shs.
Liabilities: Underwriting provisions: Unearned premiums Outstanding claims		66,449,855	148 944,925 314,618,794	148,944,925 381,068,649	93,269,120 379,848,751
		66,449,855	433,563,719	5191,013-574	467 117.871
Current liabilities: Dividends payable Amounts due to reinsurers Tax payable Sundry creditors	16	4,380,665 4 <sup>9</sup> ,6565)\$3	57 660 497 86,602,718 76,871,738 36,638,035	21 6602467 90 98 1 88 1 98 82 8 7 82 86 294 548	53 538.444 84 280 72-5 89 554 696 92 254 448 764 747 2
Due to related corporate body Bank overdraft	17	7.47.472 2.55	43:902,153	J.317.472 4.500.155	6,125,645
Total liabilities		771,05±087	285,675,951 717,238,770 1,035,873,146	\$45,029.781 \$45,049.775 1,866,935.283	260,1465,928 20,464,749 2,96,713,964

The financial statements on pages 12 to 31 were approved by the Board of Directors on 30th April,1999 and signed on its behalf by:

Hon. A. A. A. Ekirapa

Chairman

F. T. Nyammo

Director

W. Olotch

Principal Officer



## General Insurance Business Cash Flow Statement For the year ended 31 st December, 1998

	1998 Group Shs.	1998 Company Shs.	1997 Group Shs.	1997 Company Shs.
Cash flow from operating		Butos	<u>.</u>	
activities		160 000 500	100 211 /2/	
Net profit before taxation Adjustment for :	127.136.752	102,033,532	106,311,434	101,276,720
Depreciation	18,375,961	10,696,512	16,945,793	9,863,508
Premiums and claims reserves	29,711,442	29,711,442	52,391,866	52,391,866
Unclaimed dividends written back	3,427,703	3,427,70 <b>3</b>	1,161,622	1,161,622
Investment income	(150,529,024)	(117,053,901)	(79,879,700)	(114,608,310)
Operating profit before working				
capital changes	28,122,834	28:815.288	96,931,015	50,085,406
Increase in debtors	(101,173,219)	(87,106,507)	(46,040,163)	(68,344,783)
(Decrease) / increase in creditors	(1,568,684).	7,145,000	(21,187,766)	(12,092,997)
Cash generated from operations	(74,619,069)	(51,146,219)	29,703,086	(30,352,374)
Income tax paid	(48.910.612)		(37,945,154)	(26,565,989)
Net cash from operating activies Return on investments and servicing of finance	(93/529/681)	(51,146,219)	(8,242,068)	(56,918,363)
Investment income	153,879,465	120,353,229	72,937,250	110,321,189
Dividends paid	(18,628,037)	(18,628,037)	(16,373,433)	(16,373,433)
Net cash flow from investments and servicing of finance	135,251,428	101,725,192	56,563,817	93,947,756
Cash flows from investing activities				
Purchase of fixed assets	(16,546,078)	(5,006,185)	(20,417,363)	(10,752,572)
Net mortgage loans redemeed/ (advanced)	469,355	469,355	(3,663,503)	(3,663,503)
Net (purchase)/sale of shares	(20,367,955)	(20,367,955)	40,470,942	40,470,942
Net (purchase )/ redemptions of government securities	(41,000,000)	(41,000,000)	(28,800,000)	(28,800,000)
Net cash from investing activities Net increase from cash and	(77,444,678)	(65,904,785)	(12,409,924)	(2,745,133)
cash equivalents	(35,722,931)	(15,325,812)	35,911,825	34,284,260
Cash and cash equivalents at the beginning of the year	26,117,586	20,625,422	(9,794,239)	(13,658,838)
Cash and cash equivalents at the end of the year	(9,605,345)	5,299,610	26,117,586	20,625,422



#### Profit before taxation, (Decrease)/ Increase in the life funds:

#### The Group

The results are stated after charging: Depreciation Auditors' remuneration Premium tax & Levy

And after crediting investment income: Government securities Quoted shares Interest on mortgage loans

#### The Company

The results are stated after charging:
Depreciation
Auditors' remuneration
Premium tax & Levy
And after crediting investment income
Government securities
quoted shares
Interest on mortgage loans

Long term Insurance Business Shs.	General Insurance Business Shs.	Total 1998 Shs.	Total 1997 Shs.
13,500,849 1,000,000	18,375,961 1,451,838	31,876,810 2,451,838	30,667,486 2,016,000
2,592,522	8,278,004	10.870,526	7,880,714
24,101,673 631,341	. 19,505,025 . 1,402,845 . 24,940,054	*45000,69812 **21534,1869 **22740.054	26.027.972 2851.791 20.946.317
13,300,849	10,696,512	24,497,36421	1235355-201
1 000 000 2 502 599	1,000,000 8,278,004	2.000 000 10 870 526 52	1,500,000 2,280,714
24,101,673	19,505,025	43046398	4160 T 972
**63[,34] -	1,402,845 24,940,054	24.944.054 24.940.054	23831,794 202946,317

#### 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 latest actuarial valuation of the life fund was carried out by the Consulting Actuaries as at 31 st December, 1998 which revealed a strong solvency position. From this valuation the actuaries recommended a transfer of Shs. 30 million to the ordinary life fund and Shs. 10 million to the superannuation funds from the general fund.

Following a similar valuation as at 31st December, 1997, the actuaries recommended a transfer of Shs. 20 million from the general fund to the statutory funds to be applied equally between these funds in the 1998 accounts. The actuaries did not recommend a transfer to shareholders following the above valuations.

From previous valuations the actuaries made recommendations of transfers from the life fund to the 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.



a) The Group	1998 1997 Shs. Shs.
On the profit for the year as adjusted for tax purposes at the rate of 32.5% (1997: 35%)	58,228,654 41,850,614
b) The Company	58,228,654 41,850,614
On the profit for the year as adjusted for tax purposes at the rate of 32.5% (1997: 35%)	26,752,499 21,446,852 26,752,499 24,446,852

#### 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:

	1998 Shs.	1997 Shs.
Parent Company's net profit for the year	75,281,033	79,829,868
Less:		
Parent Company's share of subsidiary company dividends	(25,000,000)	(40,000,000)
Add:		
Parent Company's share of subsidiary companies' net profit for the year	18,627,065	24,630,952
Group profit attributable to shareholders of Pan Africa Insurance Co. Ltd.	68,908,098	64,460,820

#### 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:

4.

#### 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.310,000,000 in respect of Long term business properties was credited to the life funds in 1995.

#### b) Quoted Ordinary Shares:

Investments in shares quoted on the Nairobi Stock Exchange are stated at market value. Unrealised losses arising from movement in share prices mounting to Shs.213,917 in respect of Long term business was debited to the life funds. The unrealised surplus amounting to Shs.3,061,137 in respect of General insurance business was credited to the investment fluctuations reserve.





#### 8. Subsidiary companies and associated company General Insurance Business:

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

a 30% interest is incorporated in Tanzania and conducts general Insurance business.

Shares in subsidiary companies at cost Shares in associated company at cost

16,781,995 The subsidiary companies, both of which are incorporated in Kenya are Mae Properties Ltd. and Runda Water Ltd. and are involved in the development and sale of plots, and the supply of water respectively. The associated company, Reliance Insurance Company (T) Ltd., in which the Company has

1998

Shs. 40,832,605

(34)

1997

9.	Share Capital:	1998 1997
	<u>-</u>	Shs. Shs.
	Ordinary shares of Shs. 5 each	
	Authorised	100,000,000
	Issued and fully paid:	
	1st January	65,000,000
	Issue of bonus shares	
	31st December	65,000,000

The bonus issue of 3 ordinary shares of shs. 5.00 each for every 10 ordinary shares was approved by members at the Annual General Meeting held on 11 th July, 1997. Shs. 15,000.000 from unappropriated profits was capitalised for this purpose.

#### 10. Investment fluctuations Reserve:

0. Investment fluctuations Reserve:		<b>\$</b> 9000
(a) The Group	1998	1997
-	Shs.	Shs.
1st January	673,161,506	657,010,616
Revaluation surplus -Shares - (Note 7b)	3,061,137	13,319,270
Transfer of the realised surplus on plots sold to profit and loss account.	(80,627,887)	(8,143,662)
Release of deferred taxation provision in respect of plots sold (note 12)	26,204,074	2,850,282
Value of bonus shares: E.Africa Reinsurance Company Limited	6,161,000	\$125,000
31st December	627,959,830	erenger dag
(b) The Company		
1st January	393,926,838	
Value of bonus shares: E.Africa Reinsurance Company Limited	6,161,000	37.040
Revaluation surplus -Shares - (Note 7b)	3,061,137	. 17.00.740
31st December	403,148,975	393842485484



#### 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. 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

	Fixed Assets Shs.	Land and Development Shs.	Total Shs.
1st January Release of provision in respect of plots sold (note 10)	40,615	107,093,410 (26,204,074)	107,134,025 (26,204,074)
31st December,1998	40,615	80,889,336	80,929,951

#### 13. Fixed Assets:

#### a)

The Company			
(i) 1 /	Motor vehicles Shs.	Furniture, fittings & equipment Shs.	Total Shs.
Cost or valuation:	•		
1st January, 1998	18,375,227	187,471,850	205,847,077
Additions	2,061,917	3,610,015	5,671,932
Disposals	(976,549)	(33,140)	(1,009,689)
31st December, 1998 Comprising;	19,460,595	191,048,725	210,509,320
Cost	19,460,595	180,769,428	200,230,023
Valuation		10,279,298	10,279,298
Donosciation	19,460,595	191,048,726	210,509,321
Depreciation: 1st January, 1998	15,691,744	74,694,279	90,386,023
Charge for the year	2,198,066	21,999,295	24,197,361
Disposals	(976,549)	-	(976,549)
31st December, 1998 Net book value	16,913,261	96,693,574	113,606,835
Long term business	254,088	48,634,537	48,888,625
General business	2,293,246	45,720,613	48,013,859
31st December, 1998	2,547,334	94,355,150	96,902,484
31st December, 1997	2,683,483	112,777,570	115,461,053

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.24,335,961 (1997-Shs. 23,965,495), which are still in use but fully depreciated. If depreciation had been charged during the year on the gross value of the assets, it would have amounted to approximately Shs.4,618,091 (1997-Shs.5,996,252).





#### 13. Fixed Assets: b) The Group

Land and buildings Shs.	Motor vehicles Shs.	fittings & equipment Shs.	Total Shs.
114,256,857	23,219,075	216,186,210	353,662,142
784,839	2,461,917	13,965,069	17,211,825
<u> </u>	(976,549)	(33,140)	(1,009,689)
115,041,696	24,704,443	230,118,139	369,864,278
15,735,802	24,704,443	217,151,675	257,591,920
99,305,894		12,966,463	112,272,357
115,041,696	24,704,443	230,118,138	369,864,277
5,422,747	20,014,626	83,470,952	108,908,325
2,666,816	2,430,010	26,779,984	31,876,810
-	(976,549)	-	(976,549)
8,089,563	21,468,087	110,250,936	139,808,586
	254,088	48,634,537	48,888,625
106,952,133	2,982,268	71,232,666	181,167,067
106,952,133	3,236,356	119,867,203	230,055,692
108,834,110	3,204,450	132,715,256	244,753,816
	\$hs.  114,256,857 784,839  115,041,696  15,735,802 99,305,894  115,041,696  5,422,747 2,666,816  8,089,563  106,952,133  106,952,133	Shs.       Shs.         114,256,857       23,219,075         784,839       2,461,917         (976,549)         115,041,696       24,704,443         15,735,802       24,704,443         99,305,894       -         115,041,696       24,704,443         5,422,747       20,014,626         2,666,816       2,430,010         (976,549)         8,089,563       21,468,087         -       254,088         106,952,133       2,982,268         106,952,133       3,236,356	Shs.       Shs.         114,256,857       23,219,075       216,186,210         784,839       2,461,917       13,965,069         -       (976,549)       (33,140)         115,041,696       24,704,443       230,118,139         15,735,802       24,704,443       217,151,675         99,305,894       -       12,966,463         115,041,696       24,704,443       230,118,138         5,422,747       20,014,626       83,470,952         2,666,816       2,430,010       26,779,984         -       (976,549)       -         8,089,563       21,468,087       110,250,936         -       254,088       48,634,537         106,952,133       2,982,268       71,232,666         106,952,133       3,236,356       119,867,203

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.24,335,961 (1997-Shs. 23,965,495), which are still in use but fully depreciated. If depreciation had been charged during the year on the gross value of the assets, it would have amounted to approximately Shs.4,618,091 (1997-Shs.5,996,252).



14. Land and Development: The Group

> 1st January Plots sold

31st December

15. Stocks:

The Group

Stocks comprise: Coffee stock

Fertilizers and chemicals

16. Dividends Payable:

The Group and the Company: Proposed dividends for the year Unpaid dividends from previous years

31st December

17. Bank overdraft:

The overdraft facility is secured by investments in treasury bills / bonds.

18. Mortgage Loans:

The Group and the Company: Amount approved by the directors but not advanced at 31st December

19. Capital Commitments:

The Group and the Company: Approved but not contracted for

1998	1997
Shs.	Shs.
307,650,000	315,825,000
(80,679,000)	(8,175,000)
1. N. 1464	
226,971,000	307,650,000
	tel ve
6 504,750	10,054,850
348,030	235,657
10 000 100	
6,852,730	10,290,507
0,072,00	
22,750,000.	22,750,000
14,910,407	10,788,444
37,660,407	33,538,444
8,441, <b>676</b>	3,060,029
13,810,600	69,858,000
13,010,000	



#### 20. Directors' Emoluments:

	1998 As	1998 For	1997 As	1997 For
Emoluments Payable by subsidiary companies	Directors Shs. 886,950 1,409,792	Management Shs. 6,713,842	Directors Shs. 886,950 1,907,280	Management Shs. 5,431,123
	2,296,742	6,713,842	2,794,230	5,431,123

#### 21. Related Party Transactions:

The Group and The Company:

At the balance sheet date, the Company had the following balances with companies/Directors related to it by virtue of common shareholding / directorships as follows:

As Directors:	1 January,1998 Shs.	Additions Shs.	Repayments 31 Shs.	December, 1998 Shs.
Loans on mortgage	25,011,677	-	(1,261,235)	23,750,442
Interest on loans on mortgage	319,688	1,605,547	(1,479,731)	445,504
Debtors	4,857,157		(416,709)	11,421,223
	30,188,522	8,586,322	(8.157,675)	35,617,169
As companies:			V PA	
Loans on mortgage	12,926,904	-	191825 P	12,454,479
Interest on loans on mortgage	2,642,736	4,606,261	(3,300,036)	3,942,961
Debtors	10,580,005	1,639,614	(6,055,691)	6,163,928

6,245,875

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

26,149,645

Report of the auditors - page 11.



(9,834,152)

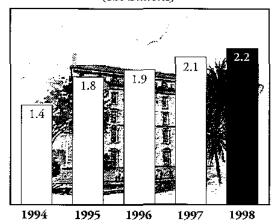


22,561,368



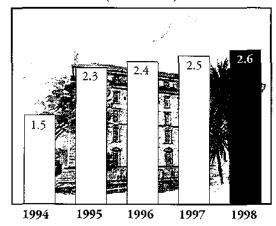
COMPANY ASSETS

(Sbs Billions)



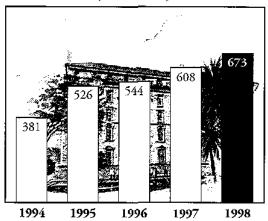
**GROUP ASSETS** 

(Shs Billions)



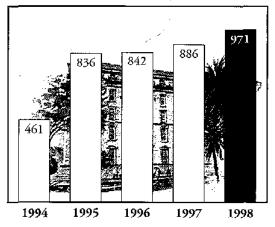
COMPANY RESERVES

(Sbs Millions)



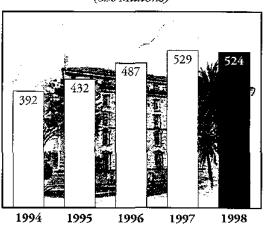
GROUP RESERVES

(Shs Millions)



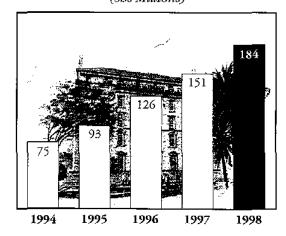
**GROUP PREMIUMS - NON LIFE** 

(Shs Millions)



GROUP PREMIUMS - LIFE

(Shs Millions)





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#### - PAIC -PLUS PLAN

PLUS PLAN



TAN AFEKA DEDZANCE CONDANY LTD. (\*\*)

The Plus Plan is a savings and protection plan made to suit those who, besides seeking maximum life cover, also want the "plus" of periodical finances to meet their varied short term needs.

The plan offers protection, early partial payments, convenient policy loans and annually declared bonuses.

The flexible plan enables you to

choose the capital sum, the term of protection and the interval at which the benefits are to be paid.





PAN APEKA DISEBBANCE COMPANY LITE.

#### - PAIC -ACADEMIC PROVIDER

Education is a right for every child - UNESCO.

Your child needs the advantages of a better education in order to have the competitive edge in today's complex world. Your child also deserves the very best that you can give, including a rewarding future.

The bare facts of life show that your child depends on your income for basic necessities. That includes a solid education. Your income depends on your ability to work. How then, can you ensure that you will have the necessary funds to see your child through all levels of education? What would happen to that child's future if, God forbid, you were disabled or passed away?

Pan Africa Insurance Company Limited (PAIC) was established in 1946, as a locally incorporated company and is currently one of the only two insurance companies whose shares are quoted on the Nairobi Stock Exchange. The Company has over the years acquired several assets, among them prime buildings in Nairobi and Mombasa.



#### - PAIC -CAPITAL PROVIDER

We should make hay while the sun shines.

In life, different people have different aspirations, some would desire to own a house, start a business, go on a holiday, augment retirement benefits, provide education for their loved ones or many other such noble things. To realise these aspirations,

disciplined savings is mandatory. The PAIC Capital Provider is designed to help you achieve this.

The PAIC Capital Provider offers a secured disciplined savings programme to accumulate a capital sum for a definite purpose. This is done over a selected period with life Assurance Protection to guarantee achievement of a choosen capital sum. It is also flexible in that you choose the capital sum, the saving period and the intervals at which to pay the premium.

The capital surn is paid to you along with generous bonuses at the end of the chosen term. The premium accumulate giving value to your policy. You can use it as a security or take a convenient policy loan.





#### - PAIC -OPTIMUM BUILDER

The PAIC Optimum Builder provides maximum life cover at a minimum premium. The plan offers permanent assurance despite the hazards of life and an investment vehicle from which you borrow without security considerations.

AN APRICA PASUBANCE COMPANY LED.

The plan is designed to cater for those with financial

commitments wishing to provide security for their dependants and those starting new careers.



## Pan Africa Insurance Company Limited



We have a sense for life



# Proxy Form / Form 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/ or my/our behalf at the next Annual General Meeting of the said Company, to be held on 18th June, 1999 at 12.00 noon and at any adjournment thereof.
Signed this day of1999.
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 Fomu ya Mwakilishi
Mimi/Sisi
wa Sanduku la Posta
Kama mwanachama/wanachama wa kampuni ambayo imetajwa hapa juu, ninamchagua/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 18, 1999 saa sita mchana au wakati wowote ikiwa mkutano utaahirishwa.
Iliwekwa sahihi tarehe siku ya 1999.
Sahihi
Kumbusho: Kwa upande wa Shirika, ni lazima uwakilishi uwe na muhuri wa kawaida wa Shirika hilo.



