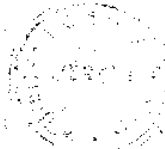


PAN AFRICA
INSURANCE COMPANY LIMITED

Isaac



CHALLINOR



*Annual Report
& Accounts
1999*

1999

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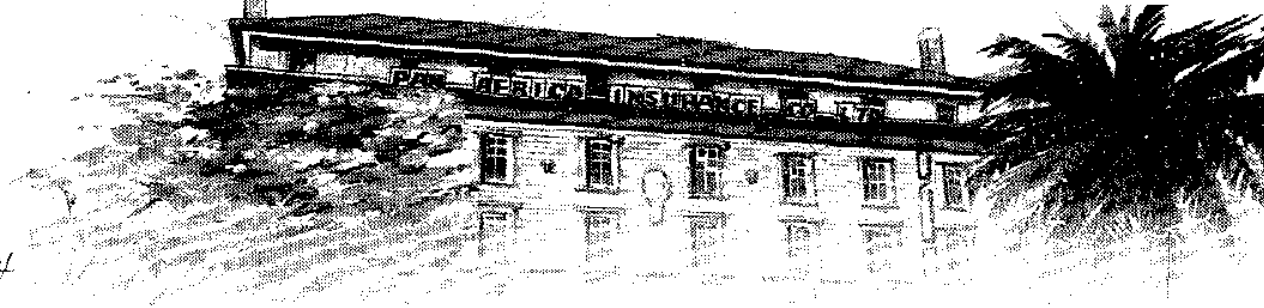
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1. Pan Africa Insurance Company Ltd - Kenya - 1999
2. Insurance Law - Kenya - Periodicals

COMPANY DETAILS

Branch Offices

Mombasa:

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

Kisumu:

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 61447
Fax: 62680
Eldoret.

Kisii:

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

Subsidiary Companies

Mae Properties Limited
Runda Water Limited

Consulting Actuaries

Hymans Robertson (Kenya) Limited
Nairobi

Bankers

Kenya:

Commercial Bank of Africa Limited
Bank of Baroda Limited
Barclays Bank of Kenya Limited
Standard Chartered Bank (Kenya) Limited
Credit Agricole Indosuez
Cooperative Bank of Kenya Limited

Tanzania:

National Micro Finance Bank Limited

Auditors

PricewaterhouseCoopers
P.O. Box 43963
Nairobi.

2007/0599



Pan Africa Insurance Company Limited Senior Managers. (From left) R N Githae, G M Kioi, J M Muiruri, S M Muhia and K M Kimani.



BOARD OF DIRECTORS



AAA Ekirapa
Chairman



W Olotch
Managing Director



J G Kibe



J A Burbidge



FT Nyammo



J M Kituri



D M Mutiso



W A Jack



MW Muigai



S M Ethangatta



D K Ngini



The Economic Environment

The long-awaited economic recovery appeared illusive in 1999 despite the fact that positive indicators were present in a number of key economic and political sectors. During the year further structural reforms were introduced as part of the Government's on-going efforts to facilitate economic recovery. These measures included the implementation of more transparent procedures for Government procurement of goods and services, the reduction in the number of Government ministries aimed at enhancing efficiency of service delivery and reduction of Government expenditure in the public sector, the on-going repairs of the country's infrastructure damaged by el nino rains in addition to the liberalisation of the telecommunications sub-sector. However, despite these efforts the GDP growth rate declined to 1.4% compared to 1.6% in 1998 partly due to unfavourable weather conditions experienced in 1999, poor prices of commodities and mismanagement of key agricultural marketing organizations, especially those in the cash crop sub-sectors. The growth of the economy was also affected by weak performance in the manufacturing sector due to poor infrastructure, particularly roads and telecommunication services, the on-going power rationing in addition to reduced demand occasioned by the economic downturn. It is to be hoped that the on-going negotiations between the Government and the Bretton Woods institutions on resumption of funding will be concluded successfully as this is likely to inject growth in the economy and pave way for further funding by donor countries.

The Legislative Environment

During the latter part of the year, the long-awaited draft rules on administration of retirement benefits schemes were published for discussion by stakeholders. Unfortunately the rules as drafted were likely to put at a disadvantage the insurance industry and as expected, there was heated debate on some of the changes proposed by the Retirement Benefits Authority. Since publication of the draft rules, the insurance industry has made various representations and it is to be hoped that the final draft will incorporate the wishes of all players in this vital sector of the business.



Hon. A A A Ekirapa
Chairman

Investment by African Life Assurance Company Ltd.

In my 1998 Annual Report, I indicated that discussions were taking place with a leading company in life assurance business in Africa with view to establishing a mutually beneficial working arrangement. I am pleased to inform you that these discussions were successful and African Life Assurance Company Ltd, has joined your Company as a strategic partner. The recently concluded Rights Issue afforded an opportunity for African Life to acquire 46.08% of the Company's issued share capital. In addition, African Life will provide management and technical advisory services to the Company in such areas as product development in life

assurance, rating, assets management, information technology, staff training and actuarial support. The company will be represented on your Board by two Directors.

Rights Issue

At the Extra-Ordinary General Meeting of the Company held on 29 October, 1999 the shareholders approved a Rights Issue of 24 million new ordinary shares on the basis of one new ordinary share of Ksh 5 for every one ordinary share of Kshs. 21.50 per share. I am pleased to report that the exercise was a success and the Issuer raised a sum of Shs. 485,328,020, net of expenses, received in February, 2000. Apart from raising capital, the Rights Issue enabled your Company to increase its paid-up share capital to Shs. 240 million. This more than satisfies the capital requirements of the 1998 Finance Act of Shs. 150 million.

Company Performance

The Company's performance was affected by the adverse economic climate which prevailed throughout the year as follows:

General Insurance Business

This sector recorded a gross premium income of Shs. 536.4 million compared to the previous year's figure of Shs. 524.1 million. This represents a modest growth of 2%. Reinsurance costs for the period amounted to Shs. 186.6 million and the net retained income therefore amounted to Shs. 349.8 million which was an improvement on the previous year's figures of Shs. 211.1 million and Shs. 313.0 million.



respectively. Unfortunately the improvement in underwriting results achieved in 1997 and 1998 were not maintained. Consequently, I regret to report an underwriting loss of Shs. 8.80 million, compared to a profit of Shs.0.43 million in 1998. The unexpected underwriting results were mainly due to the poor performance recorded in the motor private, personal accident and medical classes of business. A number of measures have been instituted with a view to minimising these losses and it is my hope that better underwriting results will be achieved in the future.

This sector recorded a gross premium income of Shs. 225.5 million compared to Shs. 184.8 million in 1998, representing a growth of 22%. Reinsurance costs amounted to Shs. 10.5 million to end up with a net retained premium of Shs. 215.0 million, compared to Shs. 176.1 million the previous year, representing also a growth of 22%. The growth rate realised in individual Life business was 22% compared to 18.4% the previous year, while superannuation business recorded similar growth compared to 51.5% in 1998.

During the year, a revaluation of the investment properties portfolio was carried out and a surplus arising thereon amounting to Shs. 57.5 million was credited to the Life Fund. The net result was a surplus and an increase in the Life Fund of Shs. 59.6 million, compared to Shs. 38.0 million in 1998. The Fund now stands at Shs. 831 million compared to Shs. 771 million the previous year.

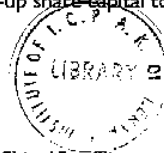
I am pleased to note that the Life Fund has a strong solvency position as confirmed by an actuarial valuation carried out as at 31st December 1999. A bonus of 5% of sum assured has consequently been recommended, for with profit policyholders.

The performance of the associate company, Reliance Insurance Company (Tanzania) Limited during its first year of operation was satisfactory and its net contribution to group results amounted to Kshs. 2.1 million. Unfortunately, the performance of the Company's subsidiaries, Mae Properties Limited and Runda Water Limited declined due to the prevailing economic climate resulting in losses on coffee farming and a high default rate in repayments for plots sold. Consequently, the subsidiaries recorded a combined pre-tax profit of Shs. 5.1 million compared to Shs. 50 million realised the previous year.

The Company realised an investment income of Shs. 78.2 million compared to Shs. 117.1 million in 1998. This represents a drop of 33%. A pre-tax profit of Shs. 51.9 million was realised by the Company compared to Shs. 102 million in 1998, a decline of 49%. The group pre-tax results followed a similar pattern at Shs. 56.9 million compared with Shs. 126.6 million the previous year, a drop of 55%.

Group assets grew from Shs. 2.6 billion in 1998 to Shs. 3.1 billion in 1999.

At the Extra-Ordinary General Meeting mentioned earlier, your Board recommended and the shareholders approved capitalization of Shs. 40 million out of the available distributable reserves of the Company, by the issue of 8 million fully paid-up shares of Kshs. 5 each to shareholders in the proportion of 1 bonus share for every 2 shares held. This increased the paid-up share capital to Shs. 120 million as at 31st December 1999.



An interim dividend of Shs. 12 million was paid in February 2000. In view of the decline in performance during the second part of 1999, Directors are not recommending payment of a final dividend. Instead the Board wishes to retain the surplus earnings to strengthen the Company's reserve base.

Since the last Annual General Meeting there have been several changes on the Company's Board of Directors. In April 2000 we welcomed Messrs William Alexander Jack and John Alexander Burbidge who will be representing African Life on the Board. On a sad note, Mr EW Kariuki passed away during the same month.

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. I also wish to thank our shareholders, policyholders, agents and brokers for their continued support.

Hon A A A Ekirapa, MP
Chairman



Mazingira ya Kiuchumi

Natija ya kiuchumi iliyotarajiwa kwa muda mrefu ilionekana kama ndoto katika mwaka wa 1999 licha ya ukweli kwamba kulikuwa na dalili nzuri katika sekta kadha muhimu za kiuchumi na kisiasa. Katika mwaka huo marekebisho zaidi ya kimuundo yalianzishwa kama baadhi ya juhudi zinazoendelea za Serikali za kusaidia ufufuzi wa uchumi. Hatua hizi zilihusu uzingatiaji wa taratibu wazi zaidi za uagizaji na ununuzi wa bidhaa za serikali na utoaji wa huduma, upunguzaji wa idadi ya wizara za serikali kwa lengo la kuimarisha utoaji wa huduma na upunguzaji wa gharama ya serikali katika sekta ya umma, ukarabati unaoendelea wa muundo msingi nchini ambao uliharibiwa na mvua ya el nino pamoja na uhurishaji wa sekta ndogo ya mawasiliano ya umeme. Hata hivyo, licha ya juhudi hizi, ongezeko la jumla ya pato la taifa (GDP) lilipungua hadi asilimia 1.4 kutoka asilimia 1.6 ya mwaka wa 1998 kwa kiasi fulani kwa sababu ya athari za hali mbaya ya hewa ya mwaka wa 1999, bei za chini za bidhaa na usimamizi mbaya wa mashirika ya uuzaji wa bidhaa muhimu za kilimo hasa yale yanayoshughulikia sekta ndogo ya mazao ya biashara. Ufanisi wa uchumi pia uliathiriwa na uzorotevu wa utendaji katika sekta ya utengenezaji wa bidhaa kwa sababu ya uzorotevu wa muundo msingi, hasa barabara na huduma za mawasiliano ya umeme, upunguzaji wa mgawo wa nguvu za umeme unaoendelea pamoja na upungufu wa mahitaji uliosababishwa na kuzorota kwa uchumi. Inatarajiwa kwamba majadiliano yanayoendelea kati ya serikali na mashirika ya mikopo ya Bretton Woods juu ya kufufua tena ufadhili yatafaulu kwa kuwa yanaweza kufufua uchumi na kuandaa njia ya ufadhili zaidi kutoka kwa nchi fadhili.

Mazingira ya Kisheria

Katika kipindi cha mwisho mwaka wa 1999, miswada ya sheria juu ya usimamizi wa mipango ya ruzuku ya ustaafu iliyongojewa kwa muda mrefu ilichapishwa ili ijadiliwe na wanaohusika. Kwa bahati mbaya vile sheria hizi ziliandikwa zilikuwa na uwezekano wa kuwa kizuizi kwa makampuni ya bima na kama ilivyotarajiwa kulikuwa na majadala mkali juu ya baadhi ya mabadiliko yaliyopendekezwa na Mamlaka ya Ruzuku ya Ustaafu. Tangu sheria hizi za majaribio zichapishwe, makampuni ya bima yamewasilisha mapendekezo kadha na inatarajiwa kwamba miswada wa mwisho utahusisha matakwa ya wote wanaohusika katika sekta hii muhimu ya biashara.

Utendaji wa kampuni ya African Life Assurance

Katika taarifa yangu ya mwaka wa 1998, nilitaja kwamba majadiliano na kampuni moja kubwa ya bima za maisha barani Afrika yalikuwa yakiendelea kwa lengo la kubuni mpango wa utendaji kazi kwa manufaa ya wote. Nina furaha kuwajulisha kwamba majadiliano haya yalifinikiwa na kampuni ya African Life Assurance, ni mshirika muhimu na kampuni yenu.



Mhe. A A A Ekirapa
Mwenyekiti

Haki za hisa zililofikiwa hivi majuzi zilitoa fursa kwa kampuni ya African Life kumiliki asilimia 46.08 za mtaji wa hisa uliotolewa na kampuni. Aidha, kampuni ya African Life itatoa huduma za ushauri wa usimamizi na wa kiufundi kwa kampuni katika nyanja kama ustawi wa mapato katika hisa za maisha, uwekaji viwango, usimamizi wa rasilimali, teknolojia ya mawasiliano, mafunzo ya wafanyikazi na kusaidia katika takwimu bima. Kampuni hiyo itawakilishwa katika halmashauri yenu na wakurugenzi wawili.

Haki za Hisa

Katika Mkutano Mkuu Maalumu wa Kampuni uliokuwapo tarehe 29 Oktoba, 1999, wenye

hisa waliidhinisha Haki za hisa mpya za kawaida milioni 24 kwa kuzingatia hisa moja mpya ya kawaida ya shilingi tano kwa kila hisa moja ya kawaida kwa shilingi 21.50 kwa hisa. Nina furaha kuripoti kwamba shughuli hii ilifaulu na Haki za Hisa ziliongeza kiasi cha shilingi 485,328,020 baada ya kutoa gharama. Mbali na kuongeza mtaji, Haki za hisa ziliwezesha kampuni yenu kuongeza mtaji wa hisa zilizolipwa kufikia shilingi milioni 240. Hii ni zaidi ya mahitaji ya rasilimali kulingana na Sheria ya Fedha ya 1998 inayohitaji kuwe na kiasi cha shilingi milioni 150.

Utendaji wa Kampuni

Utendaji wa Kampuni uliathiriwa na hali mbaya ya kiuchumi iliyokuwapo mwaka mzima kama ifuatavyo:

Biashara ya Bima ya Jumla

Sekta hii ilirekodi mapato ya jumla ya mauzo ya bima ya shilingi milioni 536.4 yakilinganishwa na ya mwaka uliotangulia ya shilingi milioni 524.1. Hili ni ongezeko la kadri la asilimia mbili. Gharama za kuweka bima katika kampuni zingine katika kipindi hiki zilifikia shilingi milioni 186.6 na mapato halisi ya bima yaliyohifadhiwa kwa hivyo kufikia shilingi milioni 349.8. Kiasi hiki kinakaribia sana kile cha mwaka uliotangulia cha shilingi milioni 211.1 na 313.0 Kwa bahati mbaya mafanikio haya katika matokeo ya udhamini wa bima yaliyopatikana miaka ya 1997 na 1998 hayakudumishwa. Kwa hivyo ninasikitika kutangaza hasara ya udhamini wa bima ya shilingi milioni 8.80 ikilinganishwa na faida ya mwaka wa 1998 ya shilingi milioni 0.43. Matokeo haya yasiyotarajiwa ya udhamini wa bima yalisababishwa hasa na utendaji duni uliopatikana katika biashara za bima za magari, za kibinafsi, ajali za kibinafsi na matibabu. Hatua kadha zimeanzishwa kwa lengo la kupunguza hasara hizi na ni matumaini yangu kwamba matokeo bora zaidi ya udhamini wa bima yatapatikana miaka ijayo.



Biashara ya Bima za Maisha

Sekta hii ilirekodi mapato ya jumla ya mauzo ya bima ya shilingi milioni 225.5 yakilinganishwa na shilingi milioni 184.8 ya mwaka wa 1998. Hili ni ongezeko la asilimia 22. Gharama za kuweka bima katika kampuni zingine zilifikia shilingi milioni 10.5 na hivyo kufikia mapato halisi ya bima yaliyohifadhiwa ya shilingi milioni 215.0 yakilinganishwa na shilingi milioni 176.1 ya mwaka uliotangulia. Hili ni ongezeko la asilimia 22 pia. Kiwango cha ukuaji kilichopatikana katika biashara ya bima za maisha za kibinafsi kilikuwa asilimia 22 kikilinganishwa na asilimia 18.4 cha mwaka uliotangulia. Biashara ya bima za uzeeni ilikua kwa kiwango sawa ikilinganishwa na asilimia 51.5 ya mwaka wa 1998. Katika mwaka huu, tathmini ya mali za utegaji uchumi ilifanywa na mali ya ziada iliyopatikana ya kiasi cha shilingi milioni 57.5 ikaongezwa katika Hazina ya Bima za Maisha. Matokeo halisi yalikuwa ziada na ongezeko la Hazina ya Bima ya shilingi milioni 59.6 yakilinganishwa na ya shilingi milioni 38.0 ya mwaka wa 1998. Hazina hii sasa ina shilingi milioni 831 ikilinganishwa na shilingi milioni 771 za mwaka uliotangulia.

Nina furaha kuona kwamba Hazina ya Bima za Maisha iko katika hali thabiti ya kuweza kulipa madeni kama inavyothibitishwa na tathmini ya takwimu bima iliyofanywa kufikia tarehe 31 Desemba, 1999. Malipo ya ziada ya asilimia tano ya kiasi kilichowekewa bima kwa hivyo yamependekezwa kwa wenye hati za bima.

Utendaji wa Kampuni Shiriki na Tazungu

Utendaji wa Kampuni Shiriki, Kampuni ya Bima ya Reliance (Tanzania) katika mwaka wake wa kwanza tangu ianze biashara uliridhisha na kiasi cha mchango wake halisi kwa mapato ya kundi (Group) kilifikia shilingi milioni 2.1. Kwa bahati mbaya, utendaji wa kampuni tanzu, Mae Properties Limited na Runda Water Limited ulizorota kwa sababu ya hali ilivyo kiuchumi. Matokeo yake ni kwamba kulikuwa na hasara katika ukulima wa mibuni (kahawa) na kiwango cha juu cha kutolipiwa kwa ploti zilizouzwa. Kwa hivyo kampuni tanzu zilirekodi faida ya pamoja kabla ya kodi ya shilingi milioni 5.1 ikilinganishwa na ya shilingi milioni 50 iliyopatikana mwaka uliotangulia.

Matokeo ya Kampuni na Kundi Nzima

Kampuni ilipata mapato ya utegaji uchumi ya shilingi milioni 78.2 yakilinganishwa na ya shilingi milioni 117.1 ya mwaka wa 1998. Hivyo mapato yalipungua kwa asilimia 33. Kampuni ilipata faida kabla ya kodi ya shilingi milioni 51.9 ikilinganishwa na shilingi milioni 102 ya mwaka wa 1998. Huu ni upungufu wa asilimia 49. Faida ya kundi kabla ya kodi ilifuata mtindo huo na ikawa shilingi milioni 56.9 kulinganisha na shilingi milioni 126.6 mwaka uliotangulia, upungufu wa asilimia 55.

Ukuaji wa Rasilmali na Hazina za Wenye Hisa

Rasilmali za kundi nzima zilikuwa kutoka shilingi bilioni 2.6 katika mwaka wa 1998 hadi shilingi bilioni 3.1 katika mwaka wa 1999.

Malipo ya Ziada

Katika mkutano maalumu uliotajwa hapo awali, Halmashauri yenu ilipendekeza na wenye hisa wakaidhinisha kugeuzwa kwa mtaji wa shilingi milioni 40 kutoka akiba za kampuni zilizopo na zinazoweza kugawanywa kwa kutoa hisa milioni 8 zilizolipwa za shilingi tano kila moja kwa wenye hisa katika wiano wa hisa moja ya ziada kwa kila hisa mbili zilizomilikiwa. Jambo hili liliongeza mtaji wa hisa zilizolipwa hadi shilingi milioni 120 kufikia tarehe 31 Desemba, 1999.

Mgawo

Mgawo wa muda wa shilingi milioni 12 ulilipwa mwezi wa Februari 2000. Kwa kuzingatia uzorotevu wa utendaji katika kipindi cha pili cha mwaka wa 1999, wakurugenzi hawapendekezi malipo ya mgawo wa mwisho. Badala yake, Halmashauri ingependa kuhifadhi mapato ya ziada kuimarisha msingi wa akiba ya kampuni.

Wakurugenzi

Tangu Mkutano Mkuu wa Mwaka uliopita, kumekuwa na mabadiliko kadha katika Halmashauri ya Wakurugenzi. Katika mwezi wa Aprili, 2000, tuliwakaribisha mabwana William Alexander Jack na John Alexander Burbidge ambao watakuwa wakiwakilisha African Life katika Halmashauri. Tunasikitika kwamba Bw. EW Kariuki aliaga dunia mwezi huo huo.

Hitimisho

Mwisho kabisa, ningependa kutoa shukrani zangu kwa wakurugenzi wenzangu, viongonzi pamoja na wafanyikazi wa kampuni kwa kuniunga mkono mwaka wote mzima. Pia ningependa kuwashukuru wenye hisa wetu, wenye bima wetu, maajenti na madalali kwa kuendelea kuniunga mkono.

Mhe. A A A Ekipapa, M P

Mwenyekiti

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 55th Annual General Meeting of Pan Africa Insurance Company Limited will be held on 30th June, 2000 at The Norfolk, Nairobi, at 12.00 noon to transact the following business:

1. To confirm the Minutes of the 54th Annual General Meeting held on 18th June, 1999 and the Extra-Ordinary General Meeting held on 29th October, 1999.
2. To receive the audited financial statements for the year ended 31st December, 1999 and the Report of the Chairman and Directors.
3. To ratify payment of an interim dividend of Shs. 12.0 million, being 15% of the issued share capital on 28th October, 1999.
4. To elect Directors:
 - i) In accordance with the Company's Articles of Association, Messrs W A Jack and J A Burbidge who were appointed to the Board since the last Annual General Meeting retire from office and, being eligible, offer themselves for re-election.
 - ii) In accordance with the Company's Articles of Association, Messrs J M Kituri, J G Kibe and S M Ethangatta retire by rotation and, being eligible, offer themselves for re-election.
5. To re-appoint Auditors and authorise the Directors to fix their fees for the following year.
6. To transact any other business with the permission of the Chair.

By Order of the Board

S M Muhia

Secretary

20 May, 2000

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



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 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 YA MKUTANO MKUU WA MWAKA

Ilani inatolewa kwamba mkutano wa hamsini na tano mkuu wa kampuni ya Pan Africa Insurance Company Limited utafanyika katika hoteli ya The Norfolk, Nairobi, siku ya Ijumaa, Juni 30, 2000, saa sita mchana kujadili mambo yafuatayo:

1. Kuthibitisha kumbukumbu za mkutano wa hamsini na tano mkuu wa mwaka uliofanywa mnamo tarehe 18, juni 1999 na za ule Mkutano Mkuu maalumu uliofanywa mnamo tarehe 29, Oktoba 1999.
2. Kupokea taarifa ya hesabu ya pesa kwa mwaka uliomalizika tarehe 31 Desemba, 1999 pamoja na taarifa ya Mwenyekiti na Wakurugenzi.
3. Kutia idhini malipo ya mgawo wa muda wa Shilingi 12 milioni hiyo ikiwa ni asili mia 15 ya hisa ya mtaji ilioandikishwa mnamo tarehe 28, Oktoba 1999.
4. Kuwachagua wakurugenzi:
 - i) Kuambatana na Sheria za Kushirikishwa Kampuni, Mabwana W A Jack na J A Burbidge ambao waliteuliwa kwenye Halmashauri tangu kikao cha mwisho cha Mkutano Mkuu wa Mwaka wanastaafu na, kwa kuwa wanastahili wanajitoleo kuchaguliwa tena.
 - ii) Kuambatana na Sheria za Kushirikishwa Kampuni, Mabwana J M Kituri, J G Kibe na S M Ethangatta wanastaafu kwa zamu na kwa kuwa wanastahili, wamejitoleo kuchaguliwa tena.
5. Kuwateua wakaguzi-hesabu na kuwaidhinisha wakurugenzi waamue malipo ya wakaguzi-hesabu.
6. Kujadili mambo mengine yoyote yatakayotolewa kwa idhini ya Mwenyekiti.

Kwa Amri ya Halmashauri

S M Muhia

Katibu

20 Mei, 2000

Ofisi Kuu

Pan Africa House

Kenyatta Avenue

P.O. Posta 62551

Simu: 339544 - 9

Nairobi

Iaelezo:

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.

Simu ya mwakilishi imetolewa mwishoni mwa ripoti hii kwa ajili hiyo. Ili iwe halali fomu ya mwakilishi iliyojazwa na kutiwa sahihi ipaswa kupelekwa ama kupokewa katika ofisi ya kampuni iliyoandikishwa muda usiopungua masaa 48 kabla ya mkutano kuanza.



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31st December 1999, which disclose the state of affairs of the Company and the group.

Principal Activities

The Principal activity of the Group during the year was the transaction of all classes of insurance business and development and sale of plots.

Results

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

Dividends

During the year, an interim dividend of Shs. 12 million was paid. The Directors do not recommend payment of a final dividend.

Directors

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

| | | |
|--------------------|---|----------------------------------|
| 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 | | |
| EW Kariuki | - | (Passed away on 14th April 2000) |
| W A Jack | - | (Appointed on 28th April 2000) |
| J A Burbidge | - | (Appointed on 28th April 2000) |

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.

In accordance with the Company's Articles of Association, Messrs W A Jack and J A Burbidge who were appointed Directors on 28th April, 2000 retire from office, and, being eligible, offer themselves for re-election.

Audit Committee

In accordance with the requirement for companies listed on the Nairobi Stock Exchange, the Company has appointed an Audit Committee comprising non-executive members of the Board, who are independent of the day to day management of the Company's operations. The Audit Committee will deal with all matters relating to the financial statements and internal control systems of the Company in conjunction with the external auditors.

Auditors

The Company's auditors, PricewaterhouseCoopers, continue in office in accordance with section 159(2) of the Companies Act.

By order of the Board

S M Muhia

Secretary

20th May, 2000



REPORT OF THE AUDITORS

We have audited the financial statements set out on pages 12 to 34. The financial statements of the Company set out on pages 18 to 19 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 our opinion to you.

Basis of Opinion

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

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 1999 and of the profit of the Group and cash flows of the general insurance business of the Company for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers

Certified Public Accountants of Kenya

Nairobi

May 20, 2000





Basis of Preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards, which have been adopted with effect from 1 January 1999.

The financial statements are prepared in accordance with the historical cost convention, as modified by the revaluation of certain of the Group's land and development, property, plant and equipment and investments.

With the exception of IAS 12, income taxes, and IAS 19(revised), employee benefits, there are no changes in accounting policy that affect operating profit resulting from the adoption of International Accounting Standards.

The following is a summary of the more important accounting policies used:

1. Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company, its subsidiaries and associated company made up to the end of the financial year. The results of subsidiaries and associated companies 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 these companies is written off against reserves. Intra-group transactions are eliminated on consolidation and all profit figures relate to external transactions only.

2. Underwriting Results

(a) General Insurance Business

The underwriting results for general business are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

- (i) Premium written relates to business incepted during the year, and includes estimates of premiums due but not yet received.
- (ii) Unearned premium 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 1/365ths 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. |
- (iii) Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR").
- (iv) 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.
- (v) 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(b) Long Term Insurance Business

- (i) Premiums are accounted for on a basis which approximate to a pre-debit method of accounting as adjusted for estimated lapses.
- (ii) Claims arising on maturity are recognised when the claim becomes due for payment. Surrenders and death claims are accounted for on notification.
- (iii) 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 on the advice of the Actuaries and, in accordance with the Articles of Association, to policyholders' bonuses and profit and loss account. Any balance remaining is carried forward in the General Fund.

3. Investment Income

Investment income comprises interest, rent and dividends receivable and are accounted for on an accruals basis. Investment income is stated after deducting the related property and management expenses.

Investment income relating to long-term insurance business is allocated to the various funds on the basis of proportionate fund balances at the beginning of the year.

4. 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, being bad debts expenses, foreign exchange losses and depreciation are not allocated but are charged directly to the profit and loss account.

5. Property, Plant and Equipment

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment are stated at historical cost or revalued amounts less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated to write off the cost or valuation of property, plant and equipment 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 |

6. Investment Properties

Freehold and leasehold properties in the parent Company are stated 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.

7. Other Investments

Other investments are stated at the following values:

- (i) Mortgages and other loans - at redemption values.
- (ii) Quoted stocks and shares - at market values on aggregate basis. Market value is calculated by reference to the Nairobi Stock Exchange quoted selling prices at the close of business on the balance sheet date.
- (iii) Government securities - at redemption values. Any unearned discount is included in creditors and credited to income over the period of issue.
- (iv) All other investments - at the lower of cost and Directors' valuation.

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

- (i) General insurance business - movements in the revaluation reserves, 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.

**8. Land and Development**

Land 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 in respect of the unsold plots which are deferred.

9. 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.

10. 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 long-term business and profit and loss account in respect of the general insurance business.

11. Deferred Tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

12. 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.

13. 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.

14. Provisions

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

15. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

16. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Accounting Standards, which the Company and Group has implemented in the year ended 31 December, 1999.

PROFIT AND LOSS ACCOUNT
For the year ended 31st December, 1999

| | | 1999 Group Shs. | 1999 Company Shs. | 1998 Group Shs. | 1998 Company Shs. |
|--|---|-----------------------|-------------------------|-----------------------|-------------------------|
| INCOME | | | | | |
| Investment income | 2 | 78,182,812 | 78,182,812 | 92,053,901 | 117,053,901 |
| Subsidiaries' operating profits | | 108,491 | - | 41,349,164 | - |
| Share of associate's profit before taxation | | 2,094,979 | 2,094,979 | - | - |
| TOTAL INCOME | | 80,386,282 | 80,277,791 | 133,403,065 | 117,053,901 |
| OUTGOINGS | | | | | |
| (Loss)/Profit transferred from General insurance revenue accounts (page 16) | | (8,798,524) | (8,798,524) | 429,549 | 429,549 |
| expenses not charged to other accounts | | (19,577,489) | (19,577,489) | (15,449,918) | (15,449,918) |
| TOTAL OUTGOINGS | | (28,376,013) | (28,376,013) | (15,020,369) | (15,020,369) |
| Operating profit before taxation | | 51,901,778 | 51,901,778 | 118,382,696 | 102,033,532 |
| Finance income | 5 | - | - | 8,236,036 | - |
| Profit before tax | 1 | 51,901,778 | 51,901,778 | 126,618,732 | 102,033,532 |
| Provision for tax | 6 | (26,140,453) | (14,359,269) | (53,142,229) | (25,560,760) |
| Profit attributable to shareholders of P.A.I.C. | 7 | 25,761,325 | 37,542,509 | 73,476,503 | 76,472,772 |
| Earnings per Share | 8 | | | 3.06 | 3.19 |

GENERAL INSURANCE BUSINESS REVENUE ACCOUNTS For the year ended 31st December, 1999

| | Motor Pool Kshs. | C.A.R. & Engineering Kshs. | Fire Domestic Kshs. | Fire Industrial Kshs. | Liability Insurance Kshs. | Marine & Transit Kshs. | Motor Private Kshs. | Motor Commercial Kshs. | P.A. & Medical Kshs. | Theft Insurance Kshs. | Workmen's Compensation Kshs. | Misc. Accident Kshs. | Total 1999 Kshs. | Total 1998 Kshs. |
|----------------------------------|------------------------|----------------------------------|---------------------------|-----------------------------|---------------------------------|------------------------------|---------------------------|------------------------------|----------------------------|-----------------------------|------------------------------------|----------------------------|------------------------|------------------------|
| Net Written Premium | - | 7,459,779 | 12,882,250 | 24,027,370 | 2,265,922 | 19,027,175 | 84,103,564 | 127,834,300 | 47,054,052 | 15,092,716 | 4,792,911 | 5,234,606 | 349,774,645 | 313,008,460 |
| Unearned premium at 1.1.999 | - | 206,349 | 2,003,298 | 11,475,675 | 571,987 | 4,155,806 | 24,651,670 | 55,266,713 | 12,309,786 | 3,551,443 | 3,065,957 | 1,686,240 | 118,944,924 | 93,269,121 |
| Unearned premium at 31.12.99 | - | (346,926) | (1,664,024) | (9,057,436) | (486,443) | (3,290,415) | (21,591,960) | (32,869,733) | (5,312,955) | (2,833,307) | (2,061,987) | (1,414,683) | (80,923,869) | (118,944,924) |
| Net Earned Premium | - | 7,319,202 | 13,221,524 | 26,445,609 | 2,351,466 | 19,892,566 | 87,163,274 | 150,231,280 | 54,050,883 | 15,810,852 | 5,796,881 | 5,506,163 | 387,789,700 | 287,332,657 |
| Claims Paid | (1,081,887) | 2,344,245 | 2,587,919 | 12,162,215 | 925,983 | (3,393,051) | 53,343,861 | 60,957,750 | 48,309,795 | 11,631,338 | 9,616,951 | 917,479 | 198,374,598 | 161,494,985 |
| Claims outstanding at 31.12.99 | 10,224,115 | 4,800,598 | 2,419,573 | 11,001,639 | 11,631,656 | 7,892,352 | 94,393,826 | 164,820,994 | 21,103,493 | 18,351,214 | 21,942,122 | 4,134,398 | 372,715,980 | 314,618,794 |
| Claims outstanding at 1.1.99 | (11,007,815) | (948,487) | (1,762,625) | (18,666,770) | (14,764,144) | (7,360,782) | (62,169,584) | (131,974,513) | (18,059,704) | (17,072,419) | (27,890,290) | (2,921,661) | (314,618,794) | (310,583,157) |
| Claims Incurred | (1,865,587) | 6,196,356 | 3,244,867 | 4,497,084 | (2,206,505) | (2,861,481) | 85,548,103 | 93,804,231 | 51,353,584 | 12,910,133 | 3,670,783 | 2,130,216 | 286,421,784 | 165,530,622 |
| Commission | - | 2,811,469 | 2,399,856 | 167,960 | 443,969 | 2,034,276 | 7,378,573 | 12,214,941 | 12,496,848 | (1,550,507) | 484,086 | (1,371,486) | 37,509,985 | 28,754,122 |
| Expenses | - | 2,020,877 | 2,926,125 | 13,228,529 | 717,520 | 10,031,778 | 16,451,421 | 28,126,820 | 12,403,804 | 5,676,583 | 1,700,114 | 1,325,463 | 94,609,034 | 84,340,360 |
| Premium tax & levies | - | 171,895 | 248,898 | 1,125,215 | 61,033 | 85,300 | 1,399,353 | 2,392,459 | 1,055,064 | 482,849 | 144,611 | 112,744 | 8,047,421 | 8,278,004 |
| Commission and Expenses | - | 5,004,241 | 5,574,879 | 14,521,704 | 1,222,522 | 12,919,354 | 25,229,347 | 42,734,220 | 25,955,716 | 4,608,925 | 2,328,811 | 66,721 | 140,166,440 | 121,372,486 |
| Underwriting Profit(Loss) | 1,865,587 | (3,881,395) | 4,401,778 | 7,426,621 | 3,335,449 | 9,834,693 | (23,614,176) | 13,692,829 | (23,258,417) | (1,708,206) | (202,713) | 3,309,224 | (8,798,524) | 429,549 |

LONG TERM INSURANCE BUSINESS REVENUE ACCOUNTS

For the year ended 31st December, 1999

Statutory Funds

| | | Ordinary | Super | General | Total | Total |
|--|-----------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | | Life | Annuation | Fund | 1999 | 1998 |
| Note | | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. |
| Net premium | | 191,531,679 | 23,446,434 | - | 214,978,113 | 176,076,339 |
| Claims incurred : | | | | | | |
| Death | | 8,079,268 | 6,580,398 | - | 14,659,666 | 9,741,525 |
| Maturity | | 19,463,514 | - | - | 19,463,514 | 20,951,584 |
| Other | | 14,432,533 | - | - | 14,432,533 | 16,236,758 |
| Total claims | | 41,975,315 | 6,580,398 | - | 48,555,713 | 46,929,867 |
| Surrender (including surrender of bonus) | | 12,736,204 | 10,977,358 | - | 23,713,562 | 5,617,891 |
| Annuities paid | | 24,316,359 | - | - | 24,316,359 | 10,108,059 |
| Total benefits payments | | (79,027,878) | (17,557,756) | - | (96,585,634) | (62,655,817) |
| Commission | | 37,136,380 | 583,665 | - | 37,720,045 | 31,211,615 |
| Expenses of management | | 109,474,559 | 12,967,818 | - | 122,442,377 | 101,281,561 |
| Other expenses | | 3,149,505 | 204,657 | - | 3,354,162 | 2,592,522 |
| Total expenses | | (149,760,444) | (13,756,140) | | (163,516,584) | (135,085,698) |
| Investment income | 2 | 38,226,066 | 4,528,072 | 10,077,584 | 52,831,722 | 59,912,374 |
| Evaluation surplus | 10 | 38,095,992 | 4,512,663 | 14,891,345 | 57,500,000 | - |
| Movements in value of shares | 12 | (3,706,513) | (439,055) | (1,448,839) | (5,594,407) | (213,917) |
| Transfer from general fund | 3 | 90,000,000 | 10,000,000 | (100,000,000) | - | - |
| Increase/(decrease) in | | | | | | |
| Free funds | 1 | 125,358,902 | 10,734,218 | (76,479,910) | 59,613,210 | 38,033,281 |
| Funds at the beginning of the year | | 510,853,391 | 60,513,179 | 199,687,517 | 771,054,087 | 733,020,806 |
| Funds at the end of the year | 31 | 636,212,293 | 71,247,397 | 123,207,607 | 830,667,297 | 771,054,087 |

COMPANY BALANCE SHEET
as at 31st December, 1999

| | | Long Term Insurance Business Kshs. | General Insurance Business Kshs. | Total 1999 Kshs. | Total 1998 Kshs. |
|---|-------|---|---|------------------------|------------------------|
| | Note | | | | |
| ASSETS : | | | | | |
| Non-current assets: | | | | | |
| Property, plant and equipment | 9(a) | 38,126,966 | 50,774,844 | 88,901,810 | 96,902,484 |
| Investment properties | 10 | 652,500,000 | 579,527,150 | 1,232,027,150 | 1,028,527,150 |
| Government securities | 11 | 140,150,000 | 87,450,000 | 227,600,000 | 200,000,000 |
| Ordinary shares quoted on the Nairobi stock exchange | 12 | 14,105,320 | 20,998,480 | 35,103,800 | 63,094,983 |
| Ordinary shares (Unquoted) | 13(a) | - | 161,226,012 | 161,226,012 | 110,625,565 |
| Associated company | 14 | - | 18,876,969 | 18,876,969 | 16,781,995 |
| Loans secured by mortgages on real property | 16 | - | 111,521,486 | 111,521,486 | 124,971,943 |
| Deferred tax asset | 24(b) | - | 5,756,784 | 5,756,784 | 3,300,350 |
| Loans on life insurance policies within their surrender values | 17 | 62,808,563 | - | 62,808,563 | 63,459,105 |
| | | 907,690,849 | 1,036,131,725 | 1,943,822,574 | 1,707,663,575 |
| Current assets: | | | | | |
| Cash and cash equivalents | 19 | 50,950,168 | 24,394,346 | 75,344,514 | 52,233,562 |
| Outstanding premiums | | - | 171,359,490 | 171,359,490 | 155,302,394 |
| Amounts due from reinsurers | | - | 159,459,760 | 159,459,760 | 161,126,587 |
| Tax recoverable | | 92,524 | 20,865,363 | 20,957,887 | 21,131,194 |
| Due from related party | 20 | - | - | - | 52,600,422 |
| Sundry debtors | 21 | 55,789,052 | 82,429,748 | 138,218,800 | 94,477,377 |
| | | 106,831,744 | 458,508,707 | 565,340,451 | 536,871,536 |
| TOTAL ASSETS | | 1,014,522,593 | 1,494,640,432 | 2,509,163,025 | 2,244,535,111 |
| EQUITY, LIFE FUNDS AND LIABILITIES: | | | | | |
| Capital and reserves: | | | | | |
| Ordinary share capital | 29 | - | 120,000,000 | 120,000,000 | 65,000,000 |
| Revaluation reserves | 30(a) | - | 540,060,537 | 540,060,537 | 403,148,975 |
| Surplus transferred from Life Fund | | - | 37,337,000 | 37,337,000 | 37,337,000 |
| Retained earnings | | - | 186,880,381 | 186,880,381 | 216,337,872 |
| Shareholders' funds | | - | 884,277,918 | 884,277,918 | 721,823,847 |

COMPANY BALANCE SHEET *continued*
as at 31st December, 1999

| | | Long Term Insurance Business Kshs. | General Insurance Business Kshs. | Total 1999 Kshs. | Total 1998 Kshs. |
|--|-------|---|---|---------------------------------|---------------------------------|
| Life Funds: | | | | | |
| Statutory funds | 31(a) | 707,459,690 | - | 707,459,690 | 571,366,570 |
| General fund | 31(b) | 123,207,607 | - | 123,207,607 | 199,687,517 |
| | | 830,667,297 | - | 830,667,297 | 771,054,087 |
| TOTAL CAPITAL, RESERVES AND LONG TERM FUNDS | | | | | |
| | | 830,667,297 | 884,277,918 | 1,714,945,215 | 1,492,877,934 |
| LIABILITIES: | | | | | |
| Underwriting provisions: | | | | | |
| Unearned premiums | | - | 80,929,869 | 80,929,869 | 118,944,925 |
| Outstanding claims | | 83,284,422 | 372,715,980 | 456,000,402 | 381,068,649 |
| | | 83,284,422 | 453,645,849 | 536,930,271 | 500,013,574 |
| Other liabilities: | | | | | |
| Dividends payable | 25(b) | - | 29,595,652 | 29,595,652 | 37,660,407 |
| Amounts due to reinsurers | | 4,417,628 | 80,367,642 | 84,785,270 | 90,983,383 |
| Tax payable | | - | 17,249,327 | 17,249,327 | 29,861,369 |
| Due to related parties | 26 | 7,175,064 | 1,485,020 | 8,660,084 | 7,317,472 |
| Sundry creditors | 27 | 88,978,182 | 17,123,973 | 106,102,155 | 59,664,228 |
| Borrowings | 28 | - | 10,895,051 | 10,895,051 | 26,156,744 |
| | | 100,570,874 | 156,716,665 | 257,287,539 | 251,643,603 |
| TOTAL LIABILITIES | | 183,855,296 | 610,362,514 | 794,217,810 | 751,657,177 |
| TOTAL EQUITY, LIFE FUNDS AND LIABILITIES | | 1,014,522,593 | 1,494,640,432 | 2,509,163,025 | 2,244,535,111 |

The financial statements on pages 12 to 34 were approved by the Board of Directors on 28th April, 2000 and signed on its behalf by :

Chairman: Hon. AAA Ekirapa, M.P.

Director: FT Nyammo

Principal Officer: W Olotch

CONSOLIDATED BALANCE SHEET

as at 31st December, 1999

| | | Long Term Insurance Business Kshs. | General Insurance Business Kshs. | Total 1999 Kshs. | Total 1998 Kshs. |
|---|-------------|---|---|------------------------|------------------------|
| ASSETS : | Note | | | | |
| Non-current assets: | | | | | |
| Property, plant and equipment | 9(b) | 38,126,966 | 279,381,099 | 317,508,065 | 230,055,691 |
| Investment properties | 10 | 652,500,000 | 579,527,150 | 1,232,027,150 | 1,028,527,150 |
| Government securities | 11 | 140,150,000 | 87,450,000 | 227,600,000 | 200,000,000 |
| Ordinary shares quoted on the Nairobi stock exchange | 12 | 14,105,320 | 20,998,480 | 35,103,800 | 63,094,983 |
| Ordinary shares (Unquoted) | 13(b) | - | 67,792,960 | 67,792,960 | 69,792,960 |
| Associated company | 14 | - | 18,876,969 | 18,876,969 | 16,781,995 |
| Non-current debtors | 15 | - | 33,266,733 | 33,266,733 | 43,913,528 |
| Loans secured by mortgages on real property | 16 | - | 111,521,486 | 111,521,486 | 124,971,943 |
| Loans on life insurance policies within their surrender values | 17 | 62,808,563 | - | 62,808,563 | 63,459,105 |
| Land and development | 18 | - | 304,488,901 | 304,488,901 | 226,971,000 |
| | | 907,690,849 | 1,503,303,778 | 2,410,994,627 | 2,067,568,355 |
| Current assets: | | | | | |
| Cash and cash equivalents | 19 | 50,950,168 | 26,545,266 | 77,495,434 | 55,074,016 |
| Outstanding premiums | | - | 171,359,490 | 171,359,490 | 155,302,394 |
| Amounts due from reinsurers | | - | 159,459,760 | 159,459,760 | 161,126,587 |
| Tax recoverable | | 92,524 | 20,865,367 | 20,957,891 | 21,171,194 |
| Sundry debtors | 21 | 55,789,052 | 118,834,624 | 174,623,676 | 123,296,333 |
| Stocks | 22 | - | 1,432,000 | 1,432,000 | 6,852,780 |
| Deferred development costs | 23 | - | 40,556,621 | 40,556,621 | 41,675,424 |
| | | 106,831,744 | 539,053,128 | 645,884,872 | 564,498,728 |
| TOTAL ASSETS | | 1,014,522,593 | 2,042,356,906 | 3,056,879,499 | 2,632,067,083 |
| EQUITY, LIFE FUNDS AND LIABILITIES: | | | | | |
| Capital and reserves: | | | | | |
| Ordinary share capital | 29 | - | 120,000,000 | 120,000,000 | 65,000,000 |
| Revaluation and other reserves | 30(b) | - | 889,219,663 | 889,219,663 | 628,765,121 |
| Surplus transferred from life fund | | - | 37,337,000 | 37,337,000 | 37,337,000 |
| Retained earnings | | - | 148,937,239 | 148,937,239 | 185,118,677 |
| Shareholders' funds | | - | 1,195,493,902 | 1,195,493,902 | 916,220,798 |
| Life funds: | | | | | |
| Statutory funds | 31(a) | 707,459,690 | - | 707,459,690 | 571,366,570 |
| General fund | 31(b) | 123,207,607 | - | 123,207,607 | 199,687,517 |
| | | 830,667,297 | - | 830,667,297 | 771,054,087 |
| TOTAL CAPITAL, RESERVES AND LONG TERM FUNDS | | 830,667,297 | 1,195,493,902 | 2,026,161,199 | 1,687,274,885 |

CONSOLIDATED BALANCE SHEET *continued*
as at 31st December, 1999

| | | Long Term Insurance Business Kshs. | General Insurance Business Kshs. | Total 1999 Kshs. | Total 1998 Kshs. |
|---|-------|---|---|------------------------|------------------------|
| LIABILITIES: | | | | | |
| Non-current liabilities: | | | | | |
| Deferred tax liabilities | 24 | - | 152,440,459 | 152,440,459 | 97,185,399 |
| Underwriting provisions: | | | | | |
| Unearned premiums | | - | 80,929,869 | 80,929,869 | 118,944,925 |
| Outstanding claims | | 83,284,422 | 372,715,980 | 456,000,402 | 381,068,649 |
| | | 83,284,422 | 453,645,849 | 536,930,271 | 500,013,574 |
| Other liabilities | | | | | |
| Dividends payable | 25(b) | - | 29,595,652 | 29,595,652 | 37,660,407 |
| Amounts due to reinsurers | | 4,417,628 | 80,367,643 | 84,785,271 | 90,983,383 |
| Tax payable | | - | 67,021,682 | 67,021,682 | 78,871,738 |
| Due to related party | 26 | 7,175,064 | - | 7,175,064 | 7,317,472 |
| Sundry creditors | 27 | 88,978,182 | 42,896,968 | 131,875,150 | 88,858,073 |
| Borrowings | 28 | - | 20,894,751 | 20,894,751 | 43,902,152 |
| | | 100,570,874 | 240,776,696 | 341,347,570 | 347,593,225 |
| TOTAL LIABILITIES | | 183,855,296 | 846,863,004 | 1,030,718,300 | 944,792,198 |
| TOTAL EQUITY, LIFE FUNDS AND LIABILITIES | | 1,014,522,593 | 2,042,356,906 | 3,056,879,499 | 2,632,067,083 |



The financial statements on pages 12 to 34 were approved by the Board of Directors on 28th April, 2000 and signed on its behalf by :

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

Director: FT Nyammo

Principal Officer: W Olotch

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 1999

| | Notes | Share capital Kshs. | Capital reserves Kshs. | Surplus transferred from life Kshs. | Retained earnings Kshs. | Total Kshs. |
|--|-------|------------------------|------------------------------|--|-------------------------------|--------------------|
| Balance at 1st January, 1998 | | | | | | |
| As previously reported | | 65,000,000 | 393,926,838 | 37,337,000 | 176,982,211 | 673,246,049 |
| Prior year adjustment : | | | | | | |
| Adoption of IAS 12 on income taxes | 24 | - | - | - | 2,108,611 | 2,108,611 |
| Restatement of reinsurance balances | 32 | - | - | - | (19,903,425) | (19,903,425) |
| As restated | | 65,000,000 | 393,926,838 | 37,337,000 | 159,187,397 | 655,451,235 |
| Net profit for the year | | - | - | - | 76,472,772 | 76,472,772 |
| Dividends - 1998 | 25(a) | - | - | - | (22,750,000) | (22,750,000) |
| Surplus arising from revaluation of : | | | | | | |
| Investment in unquoted shares | 30 | - | 6,161,000 | - | - | 6,161,000 |
| Investment in marketable securities | 30 | - | 3,061,137 | - | - | 3,061,137 |
| Unclaimed statute barred dividends written back | | - | - | - | 3,427,703 | 3,427,703 |
| Balance at 31 st December, 1998 | | 65,000,000 | 403,148,975 | 37,337,000 | 216,337,872 | 721,823,847 |
| Balance at 1st January, 1999 | | | | | | |
| As previously reported | | 65,000,000 | 403,148,975 | 37,337,000 | 232,940,947 | 738,426,922 |
| Prior year adjustment : | | | | | | |
| Adoption of IAS 12 on income taxes | 24 | - | - | - | 3,300,350 | 3,300,350 |
| Restatement of reinsurance balances | 32 | - | - | - | (19,903,425) | (19,903,425) |
| As restated | | 65,000,000 | 403,148,975 | 37,337,000 | 216,337,872 | 721,823,847 |
| Net profit for the year | | - | - | - | 37,542,509 | 37,542,509 |
| Dividends - 1999 | 25(a) | - | - | - | (12,000,000) | (12,000,000) |
| (Dimunition)/Surplus arising from revaluation of : | | | | | | |
| Investment in unquoted shares | 30 | - | (2,000,000) | - | - | (2,000,000) |
| Investment in marketable securities | 30 | - | (7,088,438) | - | - | (7,088,438) |
| Investment in properties | 30 | - | 146,000,000 | - | - | 146,000,000 |
| Bonus shares issued | 29 | 55,000,000 | | | (55,000,000) | - |
| Balance at 31 st December, 1999 | | 120,000,000 | 540,060,537 | 37,337,000 | 186,880,381 | 884,277,918 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December, 1999

| | Notes | Share capital Kshs. | Capital reserves Kshs. | Surplus transferred from life Kshs. | Retained earnings Kshs. | Total Kshs. |
|--|-------|------------------------|------------------------------|--|-------------------------------|----------------------|
| Balance at 1st January, 1998 | | | | | | |
| As previously reported | | 65,000,000 | 673,966,797 | 37,337,000 | 174,255,272 | 950,559,069 |
| Prior year adjustment: | | | | | | |
| Adoption of IAS 12 on income taxes | 24 | - | - | - | (21,341,873) | (21,341,873) |
| Adoption of IAS 19 (revised) on employee benefits | | - | - | - | (2,045,503) | (2,045,503) |
| Restatement of reinsurance balances | 32 | - | - | - | (19,903,425) | (19,903,425) |
| As restated | | 65,000,000 | 673,966,797 | 37,337,000 | 130,964,471 | 907,268,268 |
| Transfer of the realised surplus on plots sold | 30 | - | (80,627,887) | - | - | (80,627,887) |
| Deferred taxation released in respect of plots sold | 30 | - | 26,204,074 | - | - | 26,204,074 |
| Surplus arising from revaluation of: | | | | | | |
| Investment in unquoted shares | 30 | - | 6,161,000 | - | - | 6,161,000 |
| Investment in marketable securities | 30 | - | 3,061,137 | - | - | 3,061,137 |
| Unclaimed statute barred dividends written back | | - | - | - | 3,427,704 | 3,427,704 |
| Net profit for the year | | - | - | - | 73,476,503 | 73,476,503 |
| Dividends - 1998 | 25(a) | - | - | - | (22,750,000) | (22,750,000) |
| 31 st December, 1998 | | 65,000,000 | 628,765,121 | 37,337,000 | 185,118,677 | 916,220,798 |
| Balance at 1st January, 1999 | | | | | | |
| As previously reported | | 65,000,000 | 628,765,121 | 37,337,000 | 223,841,074 | 954,943,195 |
| Prior year adjustment: | | | | | | |
| Adoption of IAS 12 on income taxes | 24 | - | - | - | (16,255,448) | (16,255,448) |
| Adoption of IAS 19 (revised) on employee benefits | 27 | - | - | - | (2,563,524) | (2,563,524) |
| Restatement of reinsurance balances | 32 | - | - | - | (19,903,425) | (19,903,425) |
| As restated | | 65,000,000 | 628,765,121 | 37,337,000 | 185,118,677 | 916,220,798 |
| Diminution/surplus arising from evaluation of: | | | | | | |
| Investment in marketable securities | 30 | - | (7,088,438) | - | - | (7,088,438) |
| Investment properties | 30 | - | 146,000,000 | - | - | 146,000,000 |
| Property, plant and equipment | 30 | - | 105,058,018 | - | - | 105,058,018 |
| Land and development | 30 | - | 104,679,000 | - | - | 104,679,000 |
| Diminution in value of unquoted shares | 30 | - | (2,000,000) | - | - | (2,000,000) |
| Transfer of the realised surplus on plots sold | 30 | - | (27,138,557) | - | - | (27,138,557) |
| Deferred taxation released in respect of plots sold | 30 | - | 8,820,031 | - | - | 8,820,031 |
| Deferred tax effect on revaluation of property, plant and equipment and land and development | 30 | - | (67,875,512) | - | - | (67,875,512) |
| Net profit for the year | | - | - | - | 30,818,562 | 30,818,562 |
| Dividends - 1999 | 25(a) | - | - | - | (12,000,000) | (12,000,000) |
| New shares issued | 29 | 55,000,000 | - | - | (55,000,000) | - |
| 31 st December, 1999 | | 120,000,000 | 889,219,663 | 37,337,000 | 148,937,239 | 1,195,493,902 |

GENERAL INSURANCE BUSINESS CASH FLOW STATEMENT
for the year ended 31st December, 1999

| | 1999 Group Kshs. | 1999 Company Kshs. | 1998 Group Kshs. | 1998 Company Kshs. |
|---|------------------------|--------------------------|------------------------|--------------------------|
| Cash flow from operating activities | | | | |
| Profit before tax | 56,959,015 | 51,901,778 | 126,618,732 | 102,033,532 |
| Adjustment for : | | | | |
| Depreciation | 25,169,359 | 12,670,612 | 18,375,961 | 10,696,512 |
| Premiums and claims reserves | 20,082,130 | 20,082,130 | 29,711,442 | 29,711,442 |
| Unclaimed dividends written back | - | - | 3,427,703 | 3,427,703 |
| Investment income | (90,140,354) | (80,277,791) | (141,639,101) | (117,053,901) |
| Operating profit before working capital changes | 12,070,150 | 4,376,729 | 36,494,737 | 28,815,288 |
| Increase in debtors | (45,272,789) | (4,769,254) | (101,173,219) | (87,106,507) |
| (Decrease) / increase in creditors | (2,539,667) | 2,366,202 | (1,568,684) | 7,145,000 |
| Cash generated from operations | (35,742,306) | 1,973,677 | (66,247,166) | (51,146,219) |
| Income taxes paid | (39,623,514) | (26,971,311) | (18,910,612) | - |
| Net cash from operating activities | (75,365,820) | (24,997,634) | (85,157,778) | (51,146,219) |
| Return on investments and servicing of finance | | | | |
| Investment income received | 92,626,307 | 84,908,616 | 145,507,563 | 120,353,229 |
| Dividends paid | (20,064,755) | (20,064,755) | (18,628,037) | (18,628,037) |
| Net cash flow from investments and servicing of finance | 72,561,552 | 64,843,861 | 126,879,526 | 101,725,192 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant & equipment | (18,325,370) | (15,431,597) | (16,546,078) | (5,006,185) |
| Mortgage loans redeemed | 13,450,457 | 13,450,457 | 469,355 | 469,355 |
| Net sale / (purchase) of shares | 5,585,040 | (47,015,402) | (20,367,955) | (20,367,955) |
| Net redemptions / (purchase) of Government securities | 17,350,000 | 17,350,000 | (41,000,000) | (41,000,000) |
| Net cash from investing activities | 18,060,127 | (31,646,542) | (77,444,678) | (65,904,785) |
| Net increase / (decrease) from cash and cash equivalents | 15,255,859 | 8,199,685 | (35,722,930) | (15,325,812) |
| Cash and cash equivalents at the beginning of the year | (9,605,344) | 5,299,610 | 26,117,586 | 20,625,422 |
| Cash and cash equivalents as at 31st December | 5,650,515 | 13,499,295 | (9,605,344) | 5,299,610 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st December, 1999

1. Profit before tax/Increase in the life funds

| | Long term Insurance Business Kshs. | General Insurance Business Kshs. | Total 1999 Kshs. | Total 1998 Kshs. |
|--|---|---|------------------------|------------------------|
| The Group | | | | |
| The results are stated after charging: | | | | |
| Depreciation | 12,628,100 | 25,169,359 | 37,797,459 | 31,876,810 |
| Auditors' remuneration | 1,000,000 | 1,611,060 | 2,611,060 | 2,451,838 |
| Staff costs (Note 4) | 56,098,499 | 68,261,551 | 124,360,050 | 99,495,145 |
| Premium tax & Levy | 3,354,162 | 5,047,417 | 8,401,579 | 10,870,526 |
| Directors' remuneration : Fees | 443,475 | 2,988,743 | 3,432,218 | 886,950 |
| : For management | 1,272,634 | 1,272,634 | 2,545,268 | 1,409,792 |
| And after crediting investment income: | | | | |
| Government securities | 23,299,406 | 12,954,672 | 36,254,078 | 43,606,698 |
| Quoted shares | 333,713 | 406,599 | 740,312 | 2,034,186 |
| Interest on mortgage loans | - | 9,416,305 | 9,416,305 | 24,940,054 |
| The Company | | | | |
| The results are stated after charging: | | | | |
| Depreciation | 12,628,100 | 12,670,612 | 25,298,712 | 24,197,361 |
| Auditors' remuneration | 1,000,000 | 1,000,000 | 2,000,000 | 2,000,000 |
| Staff costs (Note 4) | 56,098,499 | 56,202,023 | 112,300,522 | 92,203,652 |
| Premium tax & Levy | 3,354,162 | 5,047,417 | 8,401,579 | 10,870,526 |
| Directors' remuneration : Fees | 443,475 | 443,475 | 886,950 | 886,950 |
| : For management | 1,272,634 | 1,272,634 | 2,545,268 | 1,409,792 |
| And after crediting investment income: | | | | |
| Government securities | 23,299,406 | 12,954,672 | 36,254,078 | 43,606,698 |
| quoted shares | 333,713 | 406,599 | 740,312 | 2,034,186 |
| Interest on mortgage loans | - | 9,416,305 | 9,416,305 | 24,940,054 |

2. Investment Income

| | | |
|------------------------------|--------------------|--------------------|
| The Group | | |
| Rent | 71,752,171 | 69,089,154 |
| Interest | 54,746,926 | 80,842,934 |
| Dividends | 4,515,437 | 27,034,187 |
| | 131,014,534 | 176,966,275 |
| Apportioned as follows : | | |
| General insurance business | 52,831,722 | 59,912,374 |
| Long term insurance business | 78,182,812 | 117,053,901 |

Investment income for long term business 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 31st December, 1999 and revealed a strong solvency position. From this valuation the actuaries did not recommend any transfer of surplus to the profit and loss account.

Following a similar valuation as at 30th June, 1999, the actuaries recommended a transfer of Kshs. 100million from the general fund to the statutory funds to be applied 9 to 1 between those funds in the 1999 financial statements.

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.

4. Staff costs

| | 1999 KShs. | 1998 KShs. |
|---|-------------------|------------------|
| The following items are included within staff costs : | | |
| Pension costs-defined contribution plan | 5,728,271 | 5,462,165 |
| Termination benefits | 18,002,038 | - |
| | 23,730,309 | 5,462,165 |

Average weekly number of persons employed by the Group during the year

| | | |
|-----------|-----|-----|
| Full time | 203 | 234 |
| Part time | 78 | 54 |

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

5. Finance income / (costs)

The Group

Interest income and interest on bank overdraft:
Credited to profit and loss account
Charged to revenue accounts

| 1999 KShs. | 1998 KShs. |
|---------------|---------------|
| 4,948,746 | 8,236,036 |
| (2,448,550) | (12,944,959) |

6. Taxation

(a) The Group

Current tax
Tax attributable to associated company
Deferred tax (Note 24)

| | |
|-------------------|-------------------|
| 29,501,400 | 58,228,654 |
| 628,493 | - |
| (4,089,440) | (5,086,425) |
| 26,140,453 | 53,142,229 |

(b) The Company

Current tax
Tax attributable to associated company
Deferred tax (Note 24)

| | |
|-------------------|-------------------|
| 16,187,210 | 26,752,499 |
| 628,493 | - |
| (2,456,434) | (1,191,739) |
| 14,359,269 | 25,560,760 |

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

| | | |
|--|-------------------|-------------------|
| Profit before tax | 51,201,778 | 102,033,532 |
| Corporation tax at 32.5 % (1998 - 32.5%) | 16,868,078 | 33,160,898 |
| Tax effect of : | | |
| Income not subject to tax | - | (11,941,299) |
| Deferred tax effect | (2,456,435) | (1,191,739) |
| Share of Associate's income | (52,374) | - |
| Expenses not deductible for tax purposes | - | 5,532,900 |
| Tax charge | 14,359,269 | 25,560,760 |

Further information on deferred tax is presented in Note 24 to the financial statements.

7. Profit attributable to shareholders of Pan Africa Insurance Company Limited

The parent Company's net profit for the year is reconciled to the group financial statements as follows :

| | | |
|--|------------|-------------------|
| Parent Company's net profit for the year | 57,349,509 | 76,472,772 |
| Less: | | |
| Parent Company's share of subsidiary company dividends | | (25,000,000) |
| Add : | | |
| Parent Company's share of subsidiary companies' net (loss) /profit for the year | | 22,003,731 |
| Group profit attributable to shareholders of Pan Africa Insurance Company Limited | | 73,476,503 |

8. Earnings per Share

Earnings per share are calculated by reference to the profit after tax and the number of ordinary shares in issue.

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

9. Property, plant and equipment

(a) The Company

(i)

| | Motor vehicles Kshs. | Furniture, fixtures & fittings Kshs. | Computer Equipment Total Kshs. | |
|---------------------------|-------------------------------------|---|---|-------------|
| <u>Cost or valuation:</u> | | | | |
| 1st January, 1999 | 19,460,595 | 164,696,073 | 26,352,651 | 210,509,319 |
| Additions | 2,215,830 | 11,756,987 | 3,531,470 | 17,504,287 |
| Disposals | (2,848,451) | (550,000) | - | (3,398,451) |
| 31 st December, 1999 | 18,827,974 | 175,903,060 | 29,884,121 | 224,615,155 |
| Comprising: | | | | |
| Cost | 18,827,974 | 165,623,762 | 29,884,121 | 214,535,857 |
| Valuation | - | 10,279,298 | - | 10,279,298 |
| 31 st December, 1999 | 18,827,974 | 175,903,060 | 29,884,121 | 224,615,155 |
| <u>Depreciation:</u> | | | | |
| 1st January, 1999 | 16,913,261 | 83,612,761 | 13,080,814 | 113,606,836 |
| Charge for the year | 1,696,929 | 20,076,454 | 3,525,328 | 25,298,711 |
| Disposals | (2,848,452) | (343,750) | - | (3,192,202) |
| 31 st December, 1999 | 15,761,738 | 103,345,465 | 16,606,142 | 135,713,345 |
| <u>Net book value:</u> | | | | |
| Long term business | - | 38,018,811 | 108,155 | 38,126,966 |
| General business | 3,066,235 | 34,538,784 | 13,169,825 | 50,774,844 |
| 31 st December, 1999 | 3,066,235 | 72,557,595 | 13,277,980 | 88,901,810 |
| 31 st December, 1998 | 2,547,334 | 81,083,312 | 13,271,838 | 96,902,484 |

(ii)

No depreciation has been charged in arriving at the results for the year in respect of certain fixed assets with a gross value of Shs.29,955,206 (1998-Shs. 24,335,961), 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.5,659,708 (1998-Shs.4,618,091).

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

(b) The Group
(i)

| | Land and buildings Shs. | Motor vehicles Shs. | Furniture, fixtures & fittings Shs. | Computer Equipment Shs. | 1999 Total Shs. |
|---------------------------|-------------------------------|---------------------------|--|-------------------------------|-----------------------|
| <u>Cost or valuation:</u> | | | | | |
| 1st January, 1999 | 115,041,696 | 24,704,443 | 203,144,183 | 26,973,955 | 369,864,277 |
| Additions | 130,302 | 3,873,543 | 12,540,347 | 3,853,871 | 20,398,063 |
| Revaluations | 55,360,602 | - | 27,338,791 | - | 82,699,393 |
| Disposals | - | (2,848,451) | (550,000) | - | (3,398,451) |
| 31 st December, 1999 | 170,532,600 | 25,729,535 | 242,473,321 | 30,827,826 | 469,563,282 |
| <u>Comprising</u> | | | | | |
| Cost | 15,866,104 | 25,729,535 | 204,855,232 | 30,827,826 | 277,278,697 |
| Valuation | 154,666,496 | - | 37,618,089 | - | 192,284,585 |
| 31 st December, 1999 | 170,532,600 | 25,729,535 | 242,473,321 | 30,827,826 | 469,563,282 |
| <u>Depreciation:</u> | | | | | |
| 1st January, 1999 | 8,089,563 | 21,468,087 | 96,768,556 | 13,482,379 | 139,808,585 |
| Write back on revaluation | (9,359,558) | - | (12,999,067) | - | (22,358,625) |
| Charge for the year | 4,126,245 | 2,284,677 | 27,746,927 | 3,639,610 | 37,797,459 |
| Disposals | - | (2,848,452) | (343,750) | - | (3,192,202) |
| 31 st December, 1999 | 2,856,250 | 20,904,312 | 111,172,666 | 17,121,989 | 152,055,217 |
| <u>Net book value:</u> | | | | | |
| Long term business | - | - | 38,018,811 | 108,155 | 38,126,966 |
| General business | 167,676,350 | 4,825,223 | 93,281,844 | 13,597,682 | 279,381,099 |
| 31 st December, 1999 | 167,676,350 | 4,825,223 | 131,300,655 | 13,705,837 | 317,508,065 |
| 31 st December, 1998 | 106,952,133 | 3,236,356 | 106,375,628 | 13,491,574 | 230,055,691 |

(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 Kshs.29,955,206 (1998-Kshs. 24,335,961), 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 Kshs.5,659,708 (1998-Kshs.4,618,091).

(iii)

The valuation of land and buildings, plant and equipment in the subsidiary companies was carried out by Lloyd Masika, professional independent valuers as at 30 th June 1999. The basis of valuation was open market value with current use. The surplus arising thereon of Kshs.105,058,018 has been credited to the revaluation reserve.

10. Investment properties

Group and the Company

1 st January
Revaluation surplus arising during the period

31 st December

| 1999 Shs. | 1998 Shs. |
|----------------------|----------------------|
| 1,028,527,150 | 1,028,527,150 |
| 203,500,000 | - |
| 1,232,027,150 | 1,028,527,150 |

The revaluation of freehold and leasehold properties was carried out by Lloyd Masika, professional independent valuers as at 30 th June, 1999. The basis of valuation was open market value with current use. The surpluses arising from the revaluation of investment properties are attributable to the two classes of business as follows :

Long term insurance business - credited to the life funds
General insurance business - credited to the revaluation reserves (Note 30)

| 1999 Shs. | 1998 Shs. |
|--------------------|--------------|
| 57,500,000 | - |
| 146,000,000 | - |
| 203,500,000 | - |

11. Government securities
Group and the Company

Treasury bills and bonds
Maturing within 90 days of the date of acquisition
Maturing after 90 days of the date of acquisition

31 st December

| 1999 Shs. | 1998 Shs. |
|--------------------|--------------------|
| 59,793,000 | 14,700,000 |
| 167,807,000 | 185,300,000 |
| 227,600,000 | 200,000,000 |

Government securities are stated at redemption values. An unearned discount amount relating to the balances above of Kshs.1,921,405 has been deferred and is included under sundry creditors (Note 27) to be released to the revenue accounts over the period of issue.

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

12. Ordinary shares quoted on the Nairobi Stock Exchange

| | 1999 Shs. | 1998 Shs. |
|-------------------------------|-------------------|-------------------|
| 1 st January | 63,094,983 | 60,247,763 |
| Additions | 1,462,568 | - |
| Disposals | (16,770,906) | - |
| Revaluation (deficit)/surplus | (12,682,845) | 2,847,220 |
| | 35,103,800 | 63,094,983 |

The ordinary shares are revalued annually at the close of business on 31st December by reference to the Nairobi Stock Exchange quoted prices. The market value approximates to the fair value. The net revaluation deficit arising from the revaluation of the shares amounting to Shs. 12,682,845 (1998: Shs. 2,847,220-surplus) is attributable to the two classes of business as follows:

| | 1999 Shs. | 1998 Shs. |
|---|---------------------|------------------|
| Long term business - debited to the life funds | (5,594,407) | (213,917) |
| General insurance business - (debited)/credited to the revaluation reserves (Note 30) | (7,088,438) | 3,061,137 |
| | (12,682,845) | 2,847,220 |

13. Investment in unquoted ordinary shares

(a) Company

| | | |
|---|--------------------|--------------------|
| 1 st January | 110,625,565 | 100,878,605 |
| Additions: | | |
| Investment in the shares of East Africa Reinsurance Company Limited | - | 3,585,960 |
| Investment in the shares of Mae Properties Limited | 52,600,447 | - |
| Diminution in value of investment in Kenya Funds Management | (2,000,000) | - |
| Surplus arising from Directors' valuation | - | 6,161,000 |
| 31st December | 161,226,012 | 110,625,565 |

(b) The Group

| | | |
|---|-------------------|-------------------|
| 1 st January | 69,792,960 | 60,046,000 |
| Additions: | | |
| Investment in the shares of East Africa Reinsurance Company Limited | - | 3,585,960 |
| Diminution in value of investment in Kenya Funds Management | (2,000,000) | - |
| Surplus arising from Directors' valuation | - | 6,161,000 |
| | 67,792,960 | 69,792,960 |

(c) Details of subsidiary companies

The subsidiary companies, both of which are incorporated in Kenya are Mae Properties Limited and Runda Water Limited and are involved in the development and sale of plots, and the supply of water respectively.

14. Associated company

Group and the Company:

The associated company, Reliance Insurance Company Tanzania Limited, in which the Company has a 30 % interest is incorporated in Tanzania and conducts general insurance business. This is its first year of operations.

| | 1999 Shs. | 1998 Shs. |
|-------------------------------|-------------------|-------------------|
| Investment at cost | 16,781,995 | 16,781,995 |
| Share of profits for the year | 2,094,974 | - |
| 31 st December | 18,876,969 | 16,781,995 |

The results of the associate have been accounted for in these financial statements using the equity method.

15. Non current debtors

The Group

| | 1999 Shs. | 1998 Shs. |
|--------------|-------------------|-------------------|
| Plot debtors | 33,266,733 | 43,913,528 |

The current receivables relating to the above items are shown in note 21.

16. Loans secured by mortgages on real property

The Group and the Company

| | | |
|---|--------------------|--------------------|
| 1 st January | 124,971,943 | 125,441,298 |
| Loans made | 38,059,284 | 3,653,353 |
| Loan repayments | (51,509,741) | (4,122,708) |
| 31 st December | 111,521,486 | 124,971,943 |
| Amounts approved by the directors but not advanced as at 31 st December | 3,832,192 | 8,441,676 |

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

17. Loans on life insurance policies

The Group and the Company

1 st January
Loans made
Loan repayments

31 st December

| 1999 Shs. | 1998 Shs. |
|-------------------|-------------------|
| 63,459,105 | 59,861,256 |
| 21,126,270 | 13,464,800 |
| (21,776,812) | (9,866,951) |
| 62,808,563 | 63,459,105 |

18. Land and Development:

The Group
1st January
Plots sold
Revaluation surplus arising during the year (Note 30)

31 st December

| | |
|--------------------|--------------------|
| 226,971,000 | 307,650,000 |
| (27,161,099) | (80,679,000) |
| 104,679,000 | - |
| 304,488,901 | 226,971,000 |

19. Cash and cash equivalents

Cash at bank and in hand
Short term bank deposits

| Company 1999 Kshs. | Group 1999 Kshs. | Company 1998 Kshs. | Group 1998 Kshs. |
|--------------------------|------------------------|--------------------------|------------------------|
| 13,184,142 | 15,335,062 | 11,352,414 | 14,192,868 |
| 62,160,372 | 62,160,372 | 40,881,148 | 40,881,148 |
| 75,344,514 | 77,495,434 | 52,233,562 | 55,074,016 |

For the purposes of the General insurance business cash flow statement, cash and cash equivalents comprise the following :

Cash and bank balances
Bank overdrafts (Note 28)

| Company 1999 Shs. | Group 1999 Shs. | Company 1998 Shs. | Group 1998 Shs. |
|-------------------------|-----------------------|-------------------------|-----------------------|
| 24,394,346 | 26,545,266 | 31,456,354 | 34,296,808 |
| (10,895,051) | (20,894,751) | (26,156,744) | (43,902,152) |
| 13,499,295 | 5,650,515 | 5,299,610 | (9,605,344) |

20. Due from related party

The Company

Amounts due from Mae Properties Limited

| 1999 Shs. | 1998 Shs. |
|--------------|--------------|
| - | 52,600,422 |

21. Sundry debtors

Rent outstanding
Accrued interest
Plot debtors
Trade debtors

| Company 1999 Shs. | Group 1999 Shs. | Company 1998 Shs. | Group 1998 Shs. |
|-------------------------|-----------------------|-------------------------|-----------------------|
| 48,334,716 | 48,334,716 | 37,766,339 | 37,766,339 |
| 3,716,749 | 3,716,749 | 8,483,201 | 8,483,201 |
| - | 25,546,847 | - | 25,854,116 |
| 86,167,335 | 97,025,364 | 48,227,837 | 51,192,677 |
| 138,218,800 | 174,623,676 | 94,477,377 | 123,296,333 |

22. Stocks

The Group

Stocks comprise:
Coffee stock (at net realisable value)
Fertilizers and chemicals (at cost)

| 1999 Shs. | 1998 Shs. |
|------------------|------------------|
| 1,432,000 | 6,504,750 |
| - | 348,030 |
| 1,432,000 | 6,852,780 |

23. Deferred development costs

The Group

1 st January
Release to profit and loss account in respect of plots sold

31 st December

| | |
|-------------------|-------------------|
| 41,675,424 | 62,185,843 |
| (1,118,803) | (20,510,419) |
| 40,556,621 | 41,675,424 |

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

24. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (1998 :32.5%).The movement on the deferred tax account is as follows :

(a)

(i) The Group

| | 1999 | 1998 |
|---|--------------------|-------------------|
| | Shs. | Shs. |
| 1 st January | 80,929,951 | 107,134,025 |
| As previously stated | 16,255,448 | 21,341,873 |
| Prior year adjustment | | |
| As restated | 97,185,399 | 128,475,898 |
| Profit and loss account - Note 6(a) | (4,089,440) | (5,086,425) |
| Revaluation reserve movements : | | |
| Deferred tax effect on revaluations - Note 30(b) | 68,164,531 | - |
| Release in respect of plots sold - Note 18 and 30(b) | (8,820,031) | (26,204,074) |
| | 59,344,500 | (26,204,074) |
| 31 st December | 152,440,459 | 97,185,399 |

(ii) The Company

| | 1999 | 1998 |
|-------------------------------------|------------------|------------------|
| | Shs. | Shs. |
| 1 st January | - | - |
| As previously stated | 3,300,350 | 2,108,611 |
| Prior year adjustment | | |
| As restated | 3,300,350 | 2,108,611 |
| Profit and loss account - Note 6(b) | 2,456,434 | 1,191,739 |
| 31 st December | 5,756,784 | 3,300,350 |

- (b) The deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account, and deferred tax charge/(credit) in equity are attributable to the following items :

(i) The Group

| | As restated | Charged | Charged | 31 st December |
|-------------------------------------|--------------------------|------------------------|----------------------|-----------------------|
| | 1 st January 1999 | (Credited) to | (Credited) to | 1999 |
| | Shs. | profit and loss | equity | Shs. |
| Deferred tax liabilities: | | | | |
| Accelerated tax depreciation | 6,885,045 | 7,630,042 | - | 14,515,087 |
| Property revaluations : | | | | |
| Land and development | 47,650,515 | (4,559,609) | 25,200,644 | 68,291,550 |
| Property, plant and equipment | 33,238,822 | (3,234,594) | 34,143,856 | 64,148,084 |
| Deferred development costs | 13,544,512 | (1,377,527) | - | 12,166,985 |
| | 101,318,894 | (1,541,688) | 59,344,500 | 159,121,706 |
| Deferred tax assets: | | | | |
| Accelerated accounting depreciation | (3,300,350) | (1,634,857) | - | (4,935,207) |
| Provisions | (833,145) | (912,895) | - | (1,746,040) |
| | (4,133,495) | (2,547,752) | - | (6,681,247) |
| Net tax liability | 97,185,399 | (4,089,440) | 59,344,500 | 152,440,459 |

(ii) The Company :

| | 1999 | 1998 |
|-------------------------------------|------------------|------------------|
| | Shs. | Shs. |
| Deferred tax assets | 3,300,350 | - |
| Accelerated accounting depreciation | - | 4,935,207 |
| Provisions | - | 821,577 |
| Net deferred tax assets | 3,300,350 | 5,756,784 |

25. Dividends

The Group and the Company:

- (a) Dividends for the year comprise
Proposed: Interim 1999: Shs. 0.75 per ordinary share
Final paid 1998: Shs. 1.75 per ordinary share

| 1999 | 1998 |
|-------------|-------------|
| Shs. | Shs. |
| 12,000,000 | - |
| 12,000,000 | 22,750,000 |

- (b) Unclaimed dividends comprise :
Proposed dividends for the year
Unpaid dividends from previous year

| 1999 | 1998 |
|-------------|-------------|
| Shs. | Shs. |
| 12,000,000 | 22,750,000 |
| 17,595,652 | 14,910,407 |
| 29,595,652 | 37,660,407 |

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

26. Due to related parties

The Company

Amounts due to Pan Africa Charitable Trust
Amounts due to Mae Properties Limited

| 1999 Shs. | 1998 Shs. |
|------------------|------------------|
| 7,175,064 | 7,317,472 |
| 1,485,020 | - |
| 8,660,084 | 7,317,472 |
| 7,175,064 | 7,317,472 |

The Group

Amounts due to Pan Africa Charitable Trust

27. Sundry creditors

Rent creditors
Deposits received in advance
Accrued leave pay
Other creditors and accruals

| Company 1999 KShs. | Group 1999 KShs. | Company 1998 KShs. | Group 1998 KShs. |
|--------------------------|------------------------|--------------------------|------------------------|
| 12,154,809 | 12,154,809 | 12,283,823 | 12,283,823 |
| 13,182,690 | 26,532,825 | 10,713,780 | 28,366,709 |
| 2,738,589 | 5,820,132 | - | 2,563,524 |
| 78,026,067 | 87,367,384 | 36,666,625 | 45,644,017 |
| 106,102,155 | 131,875,150 | 59,664,228 | 88,858,073 |

28. Borrowings

The Company's overdraft facility is secured by investments in treasury bills and bonds.

The subsidiary company's overdraft facilities are secured by legal charges over properties and plots owned by the subsidiary, Mae Properties Limited.

Weighted average interest rate

| 1999 26 % | 1998 28 % |
|--------------|--------------|
|--------------|--------------|

29. Share capital

Ordinary shares of Shs. 5 each

Authorised :

Issued and fully paid :

1st January

Issue of bonus shares

31 st December

| 1999 Shs. | 1998 Shs. |
|--------------------|-------------------|
| 500,000,000 | 100,000,000 |
| 65,000,000 | 65,000,000 |
| 55,000,000 | - |
| 120,000,000 | 65,000,000 |

The authorised number of ordinary shares of the Company was increased to 100,000,000 at the Extra Ordinary General Meeting held on 29 th October, 1999.

A bonus issue of 3 ordinary shares of shs. 5.00 each, for every 13 ordinary shares held was approved by members at the Annual General Meeting held on 18 th June, 1999 and Shs. 15 million from unappropriated profits was capitalised for this purpose. A further bonus issue of 1 ordinary share of Shs. 5.00 each, for every 2 ordinary shares held was approved at an Extra Ordinary General Meeting of the members held on 29 th October, 1999 and Shs. 40 million was capitalised for this purpose.

30. Revaluation reserve:

(a) The Company

1st January

(Loss) / surplus arising from revaluation of :

Investment in unquoted shares - Note 13(a)

Investment in properties - Note 10

Investment in marketable securities - Note 12

31 st December

| 1999 Shs. | 1998 Shs. |
|--------------------|--------------------|
| 403,148,975 | 393,926,838 |
| (2,000,000) | 6,161,000 |
| 146,000,000 | - |
| (7,088,438) | 3,061,137 |
| 540,060,537 | 403,148,975 |

(b) The Group

1st January

(Loss) / surplus arising from revaluation of :

Investment in unquoted shares - Note 13(b)

Investment in properties - Note 10

Investment in marketable securities - Note 12

Property, plant and equipment - Note 9(b)

Land and development - Note 18

Transfer of the realised surplus on plots sold to profit and loss account - Note 18

Release of deferred taxation provision in respect of plots sold - Note 24

Deferred tax effect on revaluation of property, plant and equipment and land and development - Note 24

31 st December

| 1999 Shs. | 1998 Shs. |
|--------------------|--------------------|
| 628,765,121 | 673,966,797 |
| (2,000,000) | 6,161,000 |
| 146,000,000 | - |
| (7,088,438) | 3,061,137 |
| 105,058,018 | - |
| 104,679,000 | - |
| (27,161,099) | (80,627,887) |
| 8,820,031 | 26,204,074 |
| (67,852,970) | - |
| 889,219,663 | 628,765,121 |

The surplus arising from the revaluation of assets of the Long term insurance business has been dealt with as movement in the life funds.

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

31. Statutory and general funds

(a) Statutory funds

| | Ordinary Life Funds Shs. | Superannuation Funds Shs. | Total Shs. |
|----------------------|-----------------------------|------------------------------|--------------------|
| 1 January | 510,853,391 | 60,513,179 | 571,366,570 |
| Increase during year | 125,358,902 | 10,734,218 | 136,093,120 |
| 31 st December, 1999 | 636,212,293 | 71,247,397 | 707,459,690 |

The statutory funds, which comprise Ordinary life fund and Superannuation fund, were established in 1990 by the Company in respect of its Long term 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.

(b) General fund

The general fund represents a reserve maintained within the long term business but does not constitute a statutory fund. Transfers from the general reserve to the statutory funds and the profit and loss account are made on the recommendation of the actuary.

Movements during the year are shown in the long term business revenue account.

32. Prior year adjustment - Restatement of reinsurance balances

The prior year adjustment relates to restatement of reinsurance balances by Shs.29,486,555, being the effect of duplication of claim recoveries in the prior years, net of associated tax of Shs.9,583,130. The effect of this adjustment has been the reduction of the opening retained earnings and the corresponding restatement of the reinsurance balances by the same amount.

33. Capital Commitments

The Group and the Company
Approved but not contracted for

| 1999 Shs. | 1998 Shs. |
|------------------|-------------------|
| 9,510,600 | 13,810,600 |

34. 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 as follows:

The Group and The Company

| | 1 st. January, 1999 Shs. | Additions Shs. | Repayments Shs. | 31 st December 1999 Shs. |
|-------------------------------|-----------------------------|-------------------|---------------------|--------------------------------|
| As Directors : | | | | |
| Loans on mortgage | 23,750,442 | 7,000,000 | (5,072,698) | 25,677,744 |
| Interest on loans on mortgage | 445,504 | 1,373,332 | (1,182,514) | 636,322 |
| Debtors | 11,421,223 | 281,815 | (3,960,315) | 7,742,723 |
| | 35,617,169 | 8,655,147 | (10,215,527) | 34,056,789 |
| As companies : | | | | |
| Loans on mortgage | 12,454,479 | 10,462,459 | (1,460,863) | 21,456,075 |
| Interest on loans on mortgage | 3,942,961 | 3,824,824 | (8,032,309) | (264,524) |
| Debtors | 6,163,928 | 10,550,271 | (6,911,278) | 9,802,921 |
| | 22,561,368 | 24,837,554 | (16,404,450) | 30,994,472 |

Included under reinsurance balances are amounts due (to)/ from associated companies as follows :

| | 1999 Shs. | 1998 Shs. |
|---|------------------|------------------|
| East Africa Reinsurance Company Limited | (3,613,193) | 979,730 |
| Reliance Insurance Company (Tanzania) Limited | 502,872 | - |
| These arise from the following transactions: | | |
| (i) Net premiums ceded (receivable) | | |
| East Africa Reinsurance Company Limited | 2,851,955 | 3,764,112 |
| Reliance Insurance Company (Tanzania) Limited | (502,872) | - |
| | 2,349,083 | 3,764,112 |
| (ii) Claims recoverable | | |
| East Africa Reinsurance Company Limited | 2,122,691 | 3,724,716 |

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

NOTES TO THE FINANCIAL STATEMENTS *continued*
for the year ended 31st December, 1999

35. Principal Shareholders as at 30 April, 2000

| | Number of Shares |
|---|-------------------|
| Hubris Holdings Limited | 22,119,653 |
| Co-op Trust Investment Services Limited - account no. 11450 | 2,997,768 |
| Thammo Holdings Limited | 3,380,652 |
| Kanchar Kenya Limited | 3,240,085 |
| Nak Enterprises Limited | 1,767,255 |
| Githere Investments Limited | 1,353,852 |
| Co-op Trust Investment Services Limited - account no. 11451 | 899,977 |
| Stanbic Nominees (Kenya Limited) | 630,000 |
| Kenya Reinsurance Corporation Limited | 620,440 |
| Financial Futures Limited | 430,855 |
| Balkan Properties Limited | 394,984 |
| Cannon Assurance (Kenya) Limited | 262,962 |
| M/s Parpia Sherali Gulamhussein | 207,291 |
| Ositum Investments Limited | 177,174 |
| M/s Jemimah W. Mbugua | 154,240 |
| | <hr/> |
| | 38,637,188 |
| | <hr/> |
| Total number of shares in issue | 48,000,000 |

36. Country of incorporation and registered office

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. Its registered office is :

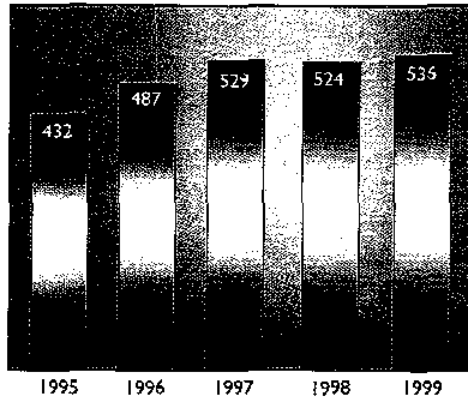
Pan Africa House,
Kenyatta Avenue
Nairobi.

37. Currency

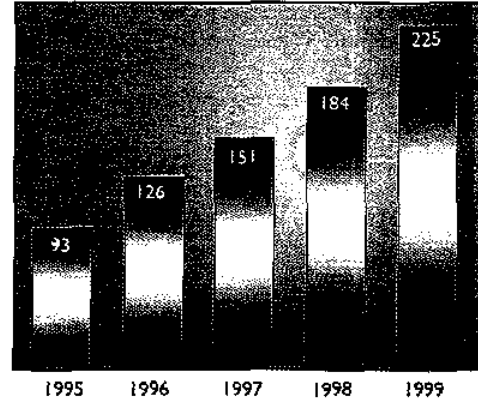
These financial statements are presented in Kenya shillings.

FINANCIAL HIGHLIGHTS

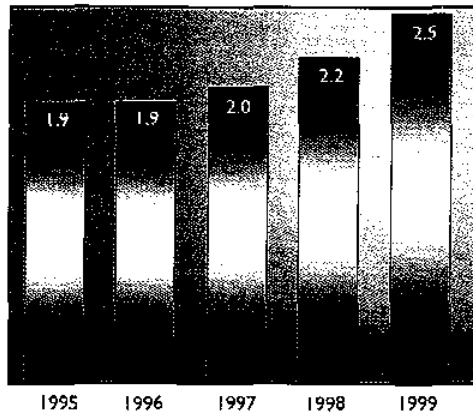
GROUP PREMIUMS - NON LIFE
(Shs. Millions)



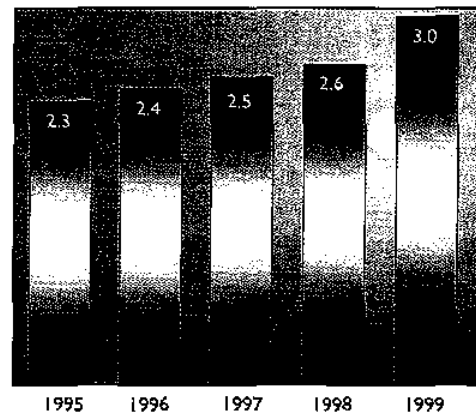
GROUP PREMIUMS - LIFE
(Shs. Millions)



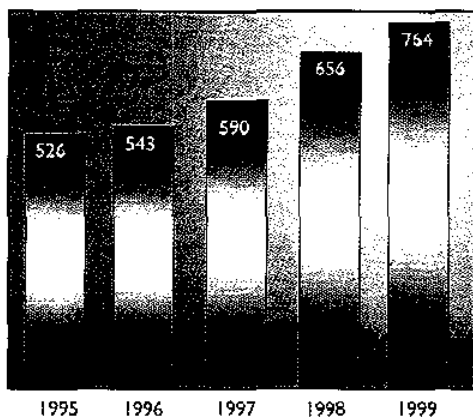
COMPANY ASSETS
(Shs. Billions)



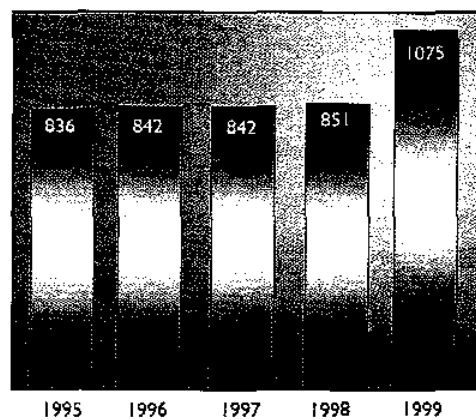
GROUP ASSETS
(Shs. Billions)



COMPANY RESERVES
(Shs. Millions)



GROUP RESERVES
(Shs. Millions)





Pan Africa Insurance Company Limited



We have a sense for life

SECOND FOLD HERE

Please
Affix
Stamp
Here

Pan Africa
Insurance Company Limited
P. O. Box 62551
Nairobi
Kenya

THIRD FOLD HERE

INSERT THIS FLAP INSIDE

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/ on my/our behalf at the next Annual General Meeting of the said Company, to be held on 30th June, 2000 at 12.00 noon and at any adjournment thereof.

Signed this _____ day of _____ 2000.

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 30 Juni, 2000 saa sita mchana au wakati wowote ikiwa mkutano utaahirishwa.

Iliwekwa sahihi tarehe _____ siku ya _____ 2000

Sahihi _____

Kumbusho:

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