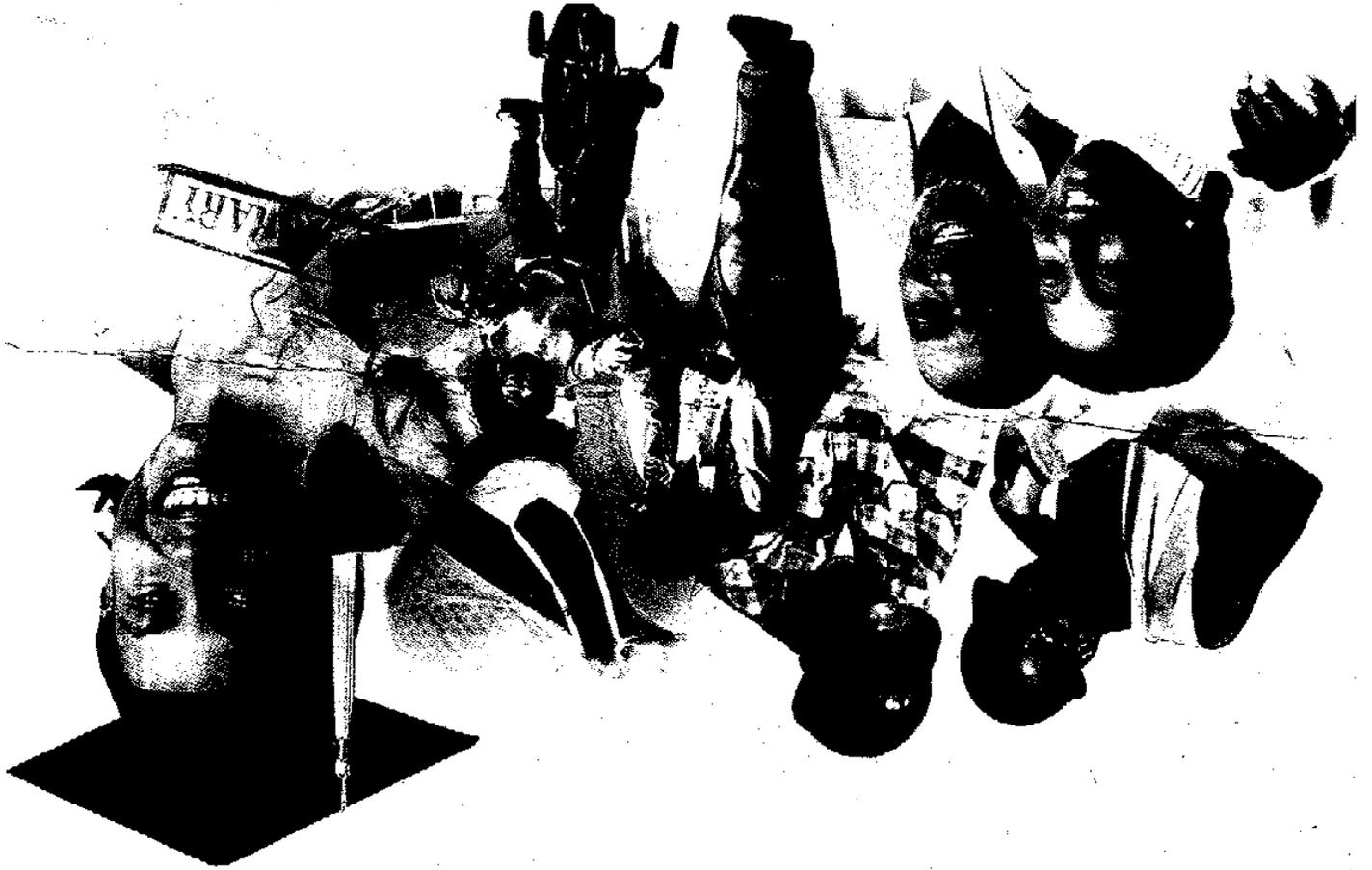


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Company Limited*

2000-2001

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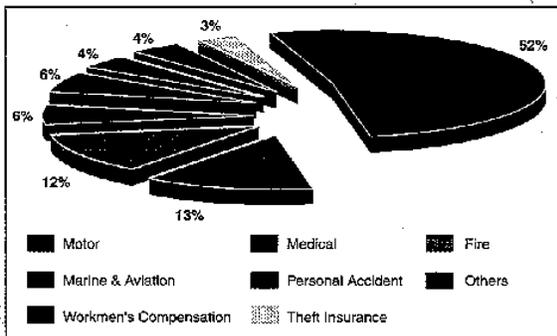
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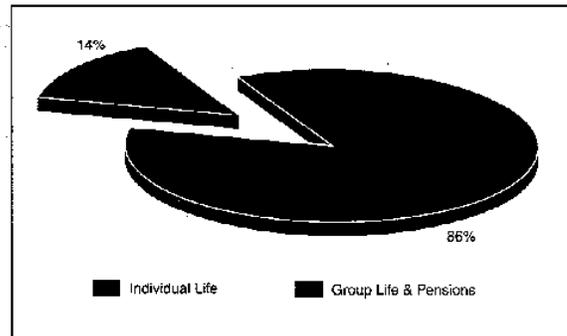
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## GROUP FINANCIAL HIGHLIGHTS

General insurance business premium income



Long-term insurance premium income



2007/0601

	2000 Shs.millions	1999 Shs.millions	1998 Shs.millions	1997 Shs.millions	1996 Shs.millions
<b>Profit &amp; Loss Accounts</b>					
Investment income	59.4	78.1	92.1	74.6	52.8
Pre-tax (loss)/ profit	(54.6)	56.9	126.6	106.3	88.2
(Loss)/profit attributable to shareholders	(65.1)	30.8	73.5	64.4	39.9
Proposed dividends	-	12.0	22.7	22.7	17.5
<b>Long-term insurance business</b>					
Gross premium income	245.9	228.9	184.8	151.1	126.4
Net premium income	243.7	218.4	176.1	142.9	124.5
Investment income	112.5	104.7	59.9	56.2	24.8
Policy-holders' benefits paid	116.9	96.5	62.6	66.6	51.3
Management expenses	151.5	125.7	101.2	92.5	82.7
Life fund	866.6	834.0	771.1	733.0	715.3
<b>General insurance business</b>					
Gross premium income	563.2	536.4	524.1	529.3	487.2
Net premium income	329.7	349.7	313.0	292.3	256.7
Claims incurred	206.2	256.4	165.5	184.1	169.6
Claims paid	231.2	198.3	161.4	141.1	142.9
Management expenses	110.1	110.0	84.3	70.9	58.9
Underwriting(loss)/profit	(113.7)	(28.4)	0.4	(5.6)	(16.3)
<b>Balance sheet</b>					
Shareholders' funds	1,550.4	1,207.4	954.9	711.3	695.1
Share capital	240.0	120.0	65.0	65.0	50.0
Total assets	3,874.5	3,061.4	2,651.9	2,520.9	2,426.1
<b>Key ratios</b>					
Basic (loss)/earnings per share	(1.46)	1.17	5.30	4.96	3.07
Dividend per share	-	0.50	1.75	1.75	1.75
Dividend cover (times)	-	2.3	3.1	2.8	1.75
Market capitalization	528,000	648,000	325,000	542,750	500,000
<b>Company share price at the NSE</b>					
High (Shs)	27	55	55	55	77
Low (Shs)	11	25	23	23	47.5
Share price at end of year (Shs)	11	27	25	41.75	50



BOARD OF DIRECTORS



Standing from left : D K Ngingi, J A Burbidge, M W Muigai (Mrs), F T Nyammo, A D Greenwood, A Van Heerden,  
 W E Olotch, J M Kituri  
 Seated from left : J G Kibe, A A A Ekirapa - Chairman, W A Jack, D M Mutiso,  
 Not in picture: S M Ethangatta, D Lacey

**Hon. A A A Ekirapa (Chairman)**

- Appointed to the Board on 25/7/1991
- Appointed as Chairman on 6/8/1992

**W E Olotch (Managing Director) BA (Hons), FCI**

- Appointed to the Board on 1/2/1993
- Director - Nairobi Stock Exchange Limited
- Director - East Africa Reinsurance Company Limited
- Director - Reliance Insurance Company (Tanzania) Limited
- Director - Pan Africa Insurance Subsidiary Companies

**A D Greenwood (Executive Director- Life Operations)  
 CA(SA), ACA(Aus)**

- Appointed to the Board on 7/12/2000

**J A Burbidge FCA, CA(SA), FCPA (Bots)**

- Appointed to the Board on 28/4/2000
- Executive Director - International Operations, African Life Assurance Company Limited
- Director of a number of African Life International Companies

**S M Ethangatta BA(Land Econ.), MISK**

- Appointed to the Board on 1/7/1994

**W A Jack FCI, FIISA**

- Appointed to the Board on 28/4/2000
- Director - African Life Assurance Company Limited

**J G Kibe BA**

- Appointed to the Board on 1/7/1994
- Director - Pan Africa Insurance Subsidiary Companies

**J M Kituri BA**

- Appointed to the Board on 1/7/1994

**M W Muigai (Mrs) CPA(K), CPS(K), ACH, MKIM**

- Appointed to the Board on 1/7/1994
- Director - Pan Africa Insurance Subsidiary Companies

**D M Mutiso B. Arch., MAAK**

- Appointed to the Board on 10/2/1983
- Director - Pan Africa Insurance Subsidiary Companies

**D K Ngingi BA**

- Appointed to the Board on 21/9/1979
- Director - Pan Africa Insurance Subsidiary Companies

**F T Nyammo BA**

- Appointed to the Board on 27/1/1984

ALTERNATE DIRECTORS

**D Lacey BCOM(HONS), MBL, FCI, FIISA**

- Appointed on 29/9/2000
- Assistant General Manager - International Operations, African Life Assurance Company Limited

**A Van Heerden BAcc.(HONS), CA(SA)**

- Appointed on 30/3/2001
- Executive Director-Finance, African Life Assurance Company Limited
- Director of a number of African Life Group Companies



### Corporate Division

W E Olotch BA(HONS), FCII	Managing Director
S M Muhia LLB(HONS), CPS(K)	Company Secretary/Chief Legal Officer
A O Omita BSc, MBA	Human Resources /Public Relations Manager
L N Njehia (Mrs) BA(Land Econ.), MISK	Property Manager
J W Murengi(Mrs) BCOM(HONS)	Internal Audit Manager

### Life Insurance Division

A D Greenwood CA(SA), ACA(AUS)	Executive Director-Life Operations
J M Muiruri BSc(HONS), ACH	General Manager - Life Operations
G M Kioi BSc(HONS)MBA, CPA(K), CPS(K)	General Manager - Finance & Investments
G J Richter BA(HONS)	National Sales Manager
R K Murithi	Life Manager - Operations
W Ngari BSc,ACH	Marketing Manager - Life

### General Insurance Division

K M Kimani ACH	General Manager - General Business
G N Ngure BCOM(HONS)	Chief Accountant
F G Wokabi (Mrs) BA	Underwriting Manager
B N Ambunya (Miss) LLB	Claims Manager
A N Ngetha BCOM, ACH	Reinsurance Manager
P Ndegwa (Miss) BA, ACH	Marketing Manager - General Business
D W Makau ACH	Area Marketing Manager- Mombasa
A Macharia BSc	Information Technology Manager

### Subsidiary Companies

RN Githae LLB, CPS(K)	General Manager
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Standing from left: R N Githae, F M Muiruri, G M Kioi, K M Kimani  
Seated from left: A D Greenwood, W E Olotch



From left: G M Kioi, A D Greenwood, W Ngari, J M Muiruri, G J Richter, R K Murithi



Standing from left: A Macharia, G N Ngure, B N Ambunya, Miss J N Ndegwa, F G Wokabi (Mrs), D W Makau  
Seated from left: A N Ngetha (Mrs), G W Makau (Mrs), K M Kimani, W E Olotch, P Ndegwa (Miss), J W Murengi (Mrs)



## 1. The Economic Environment

The slowdown in the economic growth continued during the year 2001. The decline in most productive sectors was particularly attributable to drought and power rationing. In 1998, the growth in Gross Domestic Product (GDP) was 1.8%. This declined to 1.4% in 1999 and 0.4% in year 2000. Population grew by 2.4% in the years 1998 to 2000, which resulted in reduced per capita income and employment opportunities compounding even further the problems the economy experienced. Due to failure by the authorities to demonstrate a high level of commitment to conditions agreed with the Bretton-woods institutions, expected full support was not forthcoming during the year and this also contributed to the negative growth in GDP.

Corruption has been an issue in the country's relations with donors, but unfortunately, the Government's efforts to curb the practice were interrupted by the High Court's ruling that the Act which set up Kenya Anti-Corruption Authority (KACA) was unconstitutional. Appropriate amendments to the Act will however be tabled in Parliament soon. There have also been delays in implementing the privatisation programme, which again have been of concern to the donor community and the above institutions. The uncertainties surrounding Constitutional review have equally been a negative factor on economic revival.

Though the picture looked gloomy, in as far as economic performance is concerned, some aspects of the economy have showed improved output. Among these are agriculture where coffee production improved to 98,030 tonnes last year from 64,293 tonnes in 1999. Export earnings from the crop unfortunately fell due to lower international prices. During the year, the country only realised US\$154 million as compared to US\$172 million the previous year. Horticulture exports also improved to 99,209 tonnes up from 98,963 tonnes the previous year. Trade, restaurants and hotels expanded by 2.4% in 2000 compared to 2% in 1999. Transport, storage and communication services grew by 1.9% as compared to 1.4% the previous year. The upturn on these latter activities reflected the rehabilitation work on the roads, railways and port facilities in the year.

## 2. Legislative Environment

The Retirement Benefit Rules were published during the year, and I am pleased to note that representations made by the insurance industry were taken into account though some finer details will still have to be agreed on. The Association of Kenya Insurers (AKI) Retirement Benefit Task Force has been reconvened to review the gazetted Rules and Regulations and its recommendations will be followed up with the Authority. Other pressing legislative issues relate to the industry's proposals on a Structured Compensation



Scheme, to minimise insurance companies' exposure to third party injury claims and the two cheque system, to clear any doubt that exists on the legality of the practice. Due to the many amendments that have been incorporated in the Insurance Act, and the changing socio-economic environment, it is also time that the whole Act was reviewed and it is expected that the industry, the supervisory authority and the Ministry in charge will, in the near future, work on a review of the legislation.

## 3. Restructuring of the Company

At the Extra-Ordinary General Meeting of the Company held on 8th December 2000, shareholders approved that your Company be restructured by the formal separation of the Company's Life Insurance Businesses and General Insurance Business to be managed as independent companies. The separation will be subject to the approval of the Minister of Finance through the Commissioner of Insurance and will be in accordance with the provisions of the Insurance Act. The effective date of the separation is intended to be 1st July 2001 and will be based upon comprehensive independent financial, actuarial and legal audits of your Company.

As I informed the shareholders at the EGM, the separation will not affect the capital structure of your Company which will continue to be quoted on the Nairobi Stock Exchange (NSE). The separation is expected to create more focus and facilitate management specialisation with resultant improvement in productivity, efficiency and customer service.

## 4. Company Performance

As can be expected from the slowdown in the economy, the Company's performance continued to be adversely affected. With reduced disposable incomes, the demand for insurance products like that of other services and commodities, declined which trend found expression in

reduced rates insurers were charging due to competition, an increase in debtors and loss ratios.

## 5 General Insurance Business

The gross premium for the year was Shs.563 million as compared to Shs.536 million the previous year, representing a growth of 5%. The net written premium however, declined to Shs.330 million from Shs.350 million recorded the previous year. The reduction in net premium was not due to reduced retentions as these remained the same, but due to a decline in motor insurance premium as a percentage of the total turnover. This class of business is usually reinsured on non-proportional basis and the premium retained is consequently relatively higher compared to that of other classes reinsured on proportional basis.

Your Company unfortunately recorded an underwriting loss of Shs.113.8 million made up of a technical loss of Shs.23.9 million and a provision for bad debts of Shs.89.9 million. A substantial part of the bad debt provision is made up of insurance premium which has proved difficult to collect and has been outstanding for a period in excess of 90 days.

Investment income of Shs.59.4 million was realised in year 2000 as compared to Shs.78.2 million recorded the previous year. The net result for the year was a pre-tax loss of Shs.45.9 million which as already stated, was adversely affected by the bad debt provisions. Efforts to recover the amounts provided for continue and the same will be brought back into the accounts as and when such efforts yield results. The performance of the Company has in addition been affected by the economic slowdown which has resulted in stiff competition among insurers which in turn has found expression in rate competition, a market problem which must be addressed by all the players and the supervisory authority. The Association of Kenya Insurers is addressing the problem hoping that its members will abide by the market resolutions providing guidelines on important elements of underwriting. The Office of the Commissioner has equally shown a lot of concern at the trend, and if the insurers do not exercise restraint on rate undercutting, the authorities might be forced to intervene. Another major problem facing the industry and particularly general business, are delays in settling premiums. The problems caused by the decline in economic activities is understandable but where premium has been settled through a broker, there is no excuse on the broker failing to remit the same to the underwriter, within the credit period specified in the Insurance Act. The industry and the Insurance Commissioner are equally concerned about such unprofessional conduct on the part of some insurance brokers and the authorities with the cooperation of insurance companies, is determined to control the problem.

As mentioned in the past, motor insurance results and particularly on commercial vehicles continue to worry the industry. Accidents on the roads resulting in loss of many lives have become the order of the day and while insurance merely provides compensation where there are valid insurance covers, the lives lost and other economic waste can never be adequately compensated. Frequent accidents on our roads are therefore a national issue that requires the attention of the Government and other interested parties that have a responsibility to make our roads safer. For insurers and particularly in the short term, the proposed Structured Compensation Scheme if enacted, will bring about some stability in underwriting results.

## 6 Long-term Insurance Business Results

For the year under review the performance of the Life Division has been satisfactory, generating gross premium income of Shs.245.9 million and net premium of Shs.243.8 million, Shs.25.4 million (11.6%) up on the previous year's adjusted result. It is particularly encouraging to note that the net premium for corporate business (Superannuation, Group Life and Group Credit) grew by some 48.6% to Shs.34.8 million.

In line with the practice of African Life Assurance Company Limited (African Life), our major shareholder, through its shareholding in Hubris Holdings Limited and also our strategic partner whom I will discuss in more detail below, the Company has adopted the deferred instalment basis of accounting for recurring premium income. The effect of this change is explained in detail in Note 28 to the financial statements. This change reflects the Company's endeavour to present financial statements in keeping with international best practice.

Investment income of Shs.112.1 million, 7.1% up on the previous year, has been affected by the slowdown in the economy previously mentioned. The results were impacted by the need for significant provisions against outstanding rental debtors and a general decline in the value of investment properties.

The net result for the year is an increase in Life funds of Shs.32.5 million. Total Life funds now stand at Shs.866.6 million compared to Shs.834.1 million for the previous year.

A valuation of the life business was carried out as at 31 December 2000 by the Company's Consulting Actuaries. Arising from this, a simple reversionary bonus rate of 3% has been recommended for individual life with-profit policyholders. For Deposit Administration Schemes, an interest declaration of 7% has been recommended for the year under review.

In the 1999 Annual Report, I mentioned that African Life



had joined your Company as a strategic partner, and that management and technical advisory services would be provided in such areas as product development in life assurance, rating, asset management, information technology, staff training and actuarial support. I am pleased to report that many of these initiatives were commenced during the year while the benefits will mainly be derived in the next and subsequent years. New products will be introduced in the coming year and it is expected that these will contribute significantly to the growth of the Life division. Much has been done to develop the IT systems, which included a smooth transition into the year 2000, the improved quality of data in our life administration systems and accounts. As part of the technical agreement between your Company and African Life, two senior executives were seconded to the Company in the last quarter of the year.

I would like to extend a warm welcome to Mr. Andrew Duncan Greenwood, who has joined the Company as Executive Director - Life Operations and Mr. Jacobus Gabriel Richter, who has joined as National Sales Manager - Life. Messrs Greenwood and Richter have extensive life insurance knowledge and experience within the life insurance industry in Southern Africa and they will spearhead the operations of the division. While much remains to be done, the future outlook for the division looks promising.

#### 7.1 Associate and subsidiary Companies

##### 7.1.1 Reliance Insurance Company (Tanzania) Limited

The performance of the associate company, Reliance Insurance Company (Tanzania) Limited during its second year of operation, was again satisfactory. Its contribution to the group profit was Shs.8.5 million as compared to Shs.2.1 million recorded the previous year.

##### 7.1.2 Development and sale of Plots - Mae Properties Limited

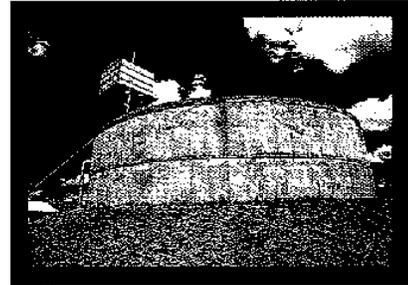
With the economy performing poorly it was expected that low sales of plots would be experienced. Consequently, Mae Properties Limited made a loss of Shs.7.3 million during the year mainly due to large provisions made for loan defaulters of Shs.16.6 million.



##### 7.1.3 Water purification and distribution (Runda Water & Chem Chemi)

A loss of Shs.6.6 million was also experienced on the operations of Runda Water and Chem Chemi. A provision of Shs.4.5 million was made for possible bad debts. In

addition, the high cost of bottles and depreciation recorded in the accounts contributed towards the poor performance.



#### 8 Company and Group Results

Investment income of Shs.59.4 million was realised compared to Shs.78.2 million, recorded the previous year. A company pre-tax loss of Shs.45.9 million was achieved as compared to Shs.51.9 million in 1999. Group loss before tax was Shs.54.6 million against a pre-tax profit of Shs.56.9 million the previous year. The significant decline in profitability was mainly due to provisions made in the accounts for doubtful debts. Gross assets of your Group on the other hand grew from Shs.3.1 billion to Shs.3.9 billion in 2000.

#### 9 Prospects for the Future

Subject to the decline in economic growth being arrested and political stability being maintained, your Company's future is bright and many developments point towards this direction. The Company is being structured with the main intention of being more focused both on life and short term business. Large provisions have been made in the accounts and since it is unlikely that the need for the same will arise in the future, such provisions will not depress future profits to the same extent that they have done for the year under review.

HON. A A EKIRAPA, M.P.  
CHAIRMAN  
26 April 2001



## 1. Mazingira ya kiuchumi

Kuzorota kwa maendeleo ya kiuchumi kuliendelea katika mwaka uliopita kwa sababu kadhaa. Uzorotaji wa sekta nyingi za uzalishaji ulisababishwa na ukame, pamoja na upunguzaji wa mgawo wa nguvu za umeme. Mnamo 1998, ongezeko la jumla la pato la taifa (GDP) ulikuwa asilimia 1.8, ukapungua hadi asilimia 1.4 katika 1999 na kufikia hadi asilimia 0.4 katika 2000. Idadi ya watu iliongezeka kwa asilimia 2.4 kati ya mwaka wa 1998 na 2000, jambo lililosababisha kupungua kwa mapato na nafasi ya kazi na kuzidisha shida zilizokuwemo za kiuchumi. Kwa sababu Serikali pia ilishindwa kudhihirisha uwajibikaji wa hali ya juu katika masharti waliyokubaliana, usaidizi kamili uliotarajiwa kutoka kwa mashirika ya mikopo ya Bretton Woods na wafadhili haukupatikana mwakani na hili pia lilisababisha kutokua kwa jumla ya Pato la taifa.

Kiwango cha ufisadi kimekuwa swala nyeti katika mahusiano baina ya nchi yetu na mataifa wafadhili lakini kwa bahati mbaya, majaribio ya serikali ya kudhibiti ufisadi yalitazwa na uamuzi wa Mahakama Kuu kwamba sheria iliyoasisi Kenya Anti-Corruption Authority (KACA) haikuwa halali. Marekebisho ya kisheria yanayofaa hata hivyo, yatawasilishwa bungeni. Kumekuwa pia na kucheleweshwa kwa utekelezaji wa ratiba ya ubinafsishaji ambako pia kunasikitisha jamii ya wafadhili na mashirika yaliyotajwa. Mashaka yanayozunguka mabadiliko ya katiba yamekuwa pia hali hasi katika ufufuaji wa kiuchumi.

Ingawa hali ilionekana kuwa ya kuhuzunisha pale ambapo utendaji wa kiuchumi unahusika, baadhi ya sekta za uchumi zilidhihirisha ongezeko la mapato. Chache baadhi yazo ni kilimo ambapo uzalishaji wa mibuni uliimarika hadi tani 98,030 mwaka uliopita kutoka kwa tani 64,293 katika 1999. Mapato kutoka mauzo ya nje ya zao hili kwa bahati mbaya yalipungua kwa sababu ya bei duni za kimataifa na mwakani, nchi yetu ilijipatia dola milioni 154 ikilinganishwa na dola milioni 172 katika mwaka uliotangulia. Mauzo ya nje ya mazao ya bustani yaliimarika hadi tani 99,209 kutoka kwa tani 98,963 katika mwaka uliotangulia. Biashara na huduma za mikahawa zilipanuka kwa asilimia 2.4 mnamo 2000 ikilinganishwa na asilimia 2 mnamo 1999. Huduma za usafirishaji, maghala na mawasiliano zilikuwa kwa asilimia 1.9 ikilinganishwa na asilimia 1.4 katika mwaka uliotangulia. Uimarikaji wa huduma hizi uliakisi harakati za ukarabati zilizofanyiwa barabara, reli na vifaa vya bandari katika mwaka huo.

## 2. Mazingira ya Kisheria

Masharti ya Malipo ya Kustaafu yalichapishwa mwakani na nina furaha kuona ya kwamba mawasilisho yaliyofanywa na makampuni ya bima yalizingatiwa hata ingawa maswala muhimu yangali hayajakubalianwa. Shirika la Makampuni ya Bima (AKI) liliteua tena Tume Maalum ya Ruzuku ya Ustaafu ili kuhakiki masharti na kanuni zilizochapishwa na mapendekezo yake yatafuatiwa kwa Mamlaka. Maswala mengine ya kisheria ya dharura yamo katika mapendekezo



ya mashirika ya bima kuhusu Utaratibu wa Kimuundo wa Kulipa Fidia ili kupunguzia mashirika haya hatari inayotokana na madai ya mshiriki wa tatu na mfumo wa hundi mbili na kuondoa tashwishi zozote kuhusu uhalali wa kazi hii. Kutokana na marekebisho mengi yaliyoshirikishwa katika Sheria ya Bima, pamoja na mabadiliko ya mazingira ya uchumi-jamii, wakati umewadia ambapo sheria hii yote ingehakikiwa na inatarajiwa kwamba mashirika ya bima, mamlaka simamizi na Wizara inayohusika watashirikiana katika kufanyia marekebisho sheria hii katika kipindi kifupi kijacho.

## 3. Utendaji upya wa kampuni

Katika Mkutano Mkuu Maalum wa Kampuni uliofanywa mnamo tarehe 8 Desemba, 2000, wenyehisa waliidhinisha utendaji upya wa kampuni yenu kupitia kwa kutenganishwa kwa biashara ya bima za maisha na biashara ya bima ya jumla ili zisimamiwe kama kampuni huru. Kutenganishwa kulikopendekezwa kutategemea kutolewa idhini na Waziri wa Fedha kupitia kwa Kamishna wa Bima na utakuwa kulingana na masharti ya Sheria ya Bima. Tarehe ya utekelezaji wa kutenganishwa huko inatarajiwa kuwa tarehe 1 Julai, 2001 na kutakuwa kwenye misingi huru kabisa ya kiuchumi, utakwimu bima na ukaguzi-sheria wa Kampuni yenu.

Kama nilivyowafahamisha wenyehisa katika mkutano huo, kutenganishwa huko hakutaathiri muundo wa rasilmali wa Kampuni yenu ambayo itaendelea kutajwa katika Soko la Hisa (NSE). Kutenganishwa huko kunatarajiwa kusababisha uzingatifu zaidi na kurahihisha usimamizi maalum utakaosababisha uimarishaji wa uzalishaji, ufanisi na huduma kwa wateja.

## 4. Utendaji wa kampuni

Kama inavyoweza kutarajiwa kutokana na uzorotaji wa kiuchumi, utendaji wa kampuni uliendelea kuathiriwa vibaya. Pamoja na upungufu wa mapato, mahitaji ya bidhaa za bima kama vile ya huduma na bidhaa nyingine yalazorota na uzorotaji huu ulijitokeza katika viwango vilivyopunguzwa ambavyo wenye mashirika ya bima walitoza kwa sababu ya ushindani, na ongezeko la uwiano wa wadaiwa na hasara.



## 5. Biashara ya Bima ya Jumla

Jumla ya mauzo ya bima ya mwaka ilikuwa shilingi milioni 563 ikilinganishwa na shilingi Milioni 536 katika mwaka uliotangulia, ikiwakilisha ukuaji wa asilimia 5. Mauzo halisi yaliyoandikwa hata hivyo yalipungua hadi shilingi milioni 330 kutoka kwa shilingi milioni 350 yaliyorekodiwa mwaka uliotangulia. Upungufu wa mauzo halisi haukutokana na kupunguzwa kwa ada kwani hizi hazikubadilika lakini ulitokana na kuzorota kwa mauzo ya bima ya magari ikiwa asilimia ya jumla ya mapato. Daraja hii ya biashara kwa kawaida huwa imewekwa bima katika kampuni nyingine katika kiwango kisichokuwa na misingi ya kadiri ikilinganishwa na kile cha madaraja mengine yanayowekwa bima katika kampuni nyingine kwenye misingi ya kadiri.

Kama ilivyokuwa katika mwaka uliotangulia, kampuni yenu kwa bahati mbaya ilipata hasara ya udhamini wa bima ya shilingi milioni 113.8 iliyoshirikisha hasara ya kiufundi ya shilingi milioni 23.9 na kiasi - tengwa cha madeni yasioweza kulipwa cha shilingi milioni 89.9. Sehemu kubwa ya kiasi-tengwa cha madeni yasiyoweza kulipwa inashirikisha mauzo ya bima ambayo yamejidhihirisha kuwa magumu kukusanya na ambayo hayajalipwa kwa muda unaozidi siku tisini.

Mapato ya shilingi milioni 59.4 kutokana na utegaji-uchumi yalipatikana katika mwaka wa 2000 ikilinganishwa na shilingi milioni 78.2 zilizopatikana mwaka uliotangulia. Matokeo halisi ya mwaka ya kabla ya kodi yalikuwa ya shilingi milioni 45.9 ambayo kama ilivyotajwa yaliathiriwa vibaya na madeni yasiyoweza kulipwa. Juhudi za kupata upya idadi zilizotolewa zinaendelea na idadi zile zitarudishwa katika hesabu mara tu juhudi zile zitakapofanikiwa. Utendaji wa kampuni pia umeathiriwa na uzorotaji wa kiuchumi ambao umesababisha mashindano makali baina ya makampuni ya bima ambayo ni lazima yashughulikiwe na wote wanaohusika pamoja na Mamlaka Simamizi. Shirika la Makampuni ya Bima linalishughulikia swala hili likiwa na matumaini kuwa wanachama wake watafuata maagizo muhimu kuhusu urekebishaji wa soko hili yanayotoa maongozo muhimu kuhusu udhamini wa bima. Afisi ya Kamishna wa Bima pia imeonyesha masikitiko makubwa kuhusu mwelekeo huu na kama makampuni ya bima hayatajuziua dhidi ya uuzaji kwa viwango duni dhidi ya washindani, walio mamlakani watalazimika kuingilia kati swala hili. Shida nyingine kuu inayokabili biashara hii na haswa biashara ya jumla ni ucheleweshaji wa malipo ya mauzo ya bima. Shida zinazosababishwa na uzorotaji wa harakati za kiuchumi zinaeleweka lakini pale ambapo malipo ya bima yametekelezwa kupitia kwa dalali, hakuna sababu yoyote kwa upande wa dalali kutolipa kiasi kile kwa mdhamini katika muda ulioamuriwa na Sheria ya Bima. Makampuni ya bima pamoja na Kamishna wa Bima yanasikitishwa na tabia hii isiyo ya kitaaluma inayoendelezwa na baadhi ya madalali wa bima na walio mamlakani, wakishirikiana na makampuni ya bima wameamua kudhibiti shida hii.

Kama ilivyotajwa hapo awali, matokeo ya bima za magari na haswa magari ya biashara yanaendelea kuwa ya kuhuzunisha. Ajali za barabara zinazosababisha vifo vingi zimekuwa jambo la kawaida na kwa vile bima hutoa fidia pale tu palipo na hati ya bima iliyo halali, maisha yaliyopotezwa pamoja na hasara nyingine za kiuchumi haziwezi kufidiwa. Swala la ongezeko la ajali katika barabara zetu limekuwa basi la kitaifa na linastahili kushughulikiwa na serikali na wote walio na wajibu wa kuzifanya barabara zetu salama. Kwa wauzaji bima, na haswa katika kipindi kifupi kijacho, Utaratibu Wa Kimuundo Wa Ulipaji Fidia unaopendekezwa utakapotekelezwa utaleta kiasi cha udhabiti wa matokeo ya udhamini wa bima.

## 6. Matokeo ya Sekta ya Bima za Maisha

Katika mwaka unaohakikiwa utendaji wa sekta hii umekuwa wa kuridhisha na umerekodi mapato ya shilingi milioni 245.9, ukiwa na jumla ya mauzo ya bima ya shilingi milioni 243.8 ikiwa ni ongezeko la shilingi milioni 25.4 (asilimia 11.6) juu ya matokeo ya mwaka uliotangulia. Inatia moyo haswa kuona kwamba mauzo halisi ya bima za biashara za mashirika (Bima za uzeeni, Bima za Maisha kwa Kundi na Muamana kwa Kundi) yaliongezeka kwa kiwango cha asilimia 48.6 kufikia shilingi milioni 34.8.

Kuambatana na mazoea ya African Life Assurance Company Limited. (African Life)- mwenye hisa mkuu wetu, kupitia kwa uenyehisa wake katika Hubris Holdings Ltd na aliye pia mshirika muhimu wetu nitakayemjadili kwa kirefu baadaye, kampuni imekubali mfumo wa kimsingi wa uahirishaji wa malipo kwa mafungu ya mapato ya mauzo ya bima ya kawaida. Athari ya mabadiliko haya imeelezwa kwa kirefu katika Arifa ya 28 katika Hesabu. Mabadiliko haya yanaakisi juhudi za kampuni za kuwasilisha taarifa za kifedha kuambatana na mazoea ya kimataifa.

Mapato ya utegaji-uchumi ya shilingi milioni 112.1, asilimia 7.1 juu ya mapato ya mwaka uliotangulia, yameathiriwa na uzorotaji wa kiuchumi uliotajwa hapo awali. Matokeo haya yaliathiriwa zaidi na uhitaji wa kuongezwa kwa kiasi-tengwa dhidi ya dhamani ya rasilimali za utegaji-uchumi.

Matokeo halisi ya mwaka huo ni ongezeko kwa hazina ya Bima za Maisha ya shilingi milioni 32.5. Jumla ya hazina za Bima za Maisha hivi sasa ni shilingi milioni 866.6 ikilinganishwa na shilingi milioni 834.1 katika mwaka uliotangulia.

Ukadiriaji wa biashara za maisha ulitekelezwa kufika tarehe 31 Desemba, 2000 na washauri wa thamani wa Kampuni. Kutokana na haya, malipo ya ziada yanayomrejelea mwenyehisa ya asilimia 3

yamependekezwa kwa walio na bima za kibinafsi zenye faida. Katika Mipango Ya Usimamizi wa Uwekaji Amana, tangazo la riba ya asilimia 7 imependekezwa kwa mwaka unaojadiliwa.

Katika taarifa ya mwaka ya 1999, nilitaja kuwa African Life ilikuwa imejiunga na Kampuni yenu kama mshirika muhimu, na kwamba huduma za usimamizi na za kiufundi zingetolewa katika nyanja kama vile za ustawi wa mapato katika hisa za maisha, uwekaji viwango, usimamizi wa rasilimali, teknolojia ya mawasiliano, mafunzo ya wafanyikazi na kusaidia katika takwimu bima. Nina furaha kuwatangazia kwamba kiasi kikubwa cha harakati hizi zilianzishwa mwakani wakati ambapo faida yazo itachumwa katika miaka inayofuata. Bidhaa mpya zitaanzishwa katika mwaka ujao na inatarajiwa kwamba hizi zitachangia pakubwa ukuaji wa sekta ya Bima za Maisha. Mengi yamefanywa kuimarisha mifumo ya teknolojia ya mawasiliano (IT) ikiwa ni pamoja na mpito tulivu kuingia mwaka wa 2000 na uimarishaji wa ubora wa data katika mifumo ya usimamizi na hesabu za bima ya maisha. Kama sehemu ya makubaliano ya kiufundi kati ya Kampuni yenu na African Life, wasimamizi wakuu wawili waliazimwa Kampuni katika robo ya mwisho ya mwaka uliopita. Ningependa kuwakaribisha Bw. Andrew Duncan Greenwood, ambaye amejiunga na Kampuni kama Mkurugenzi Mkuu- Bima za Maisha na Bw. Jacobus Gabriel Ritche ambaye amejiunga kama Msimamizi wa Mauzo ya Kitaifa -Bima za Maisha. Mabwana Greenwood na Ritche wana maarifa na tajriba pana katika biashara ya bima za maisha katika Afrika Kusini na wataongoza shughuli za sekta hii. Ingawa mengi bado hayajatekelezwa, hali ya baadaye inaonekana kuwa yenye ahadi.

### 7.2 Kampuni Shiriki na Tanzu

#### 7.2.1 Reliance Insurance Co. (T) Ltd.

Utendaji wa kampuni shiriki ya Reliance katika mwaka wake wa pili kwa mara nyingine ulikuwa wa kuridhisha. Mchango wake kwa faida ya Kundi Nzima ulikuwa shilingi milioni 8.5 ikilinganishwa na shilingi milioni 2.1 iliyorekodiwa katika mwaka uliotangulia.

### 7.3 Uendelezaji na mauzo ya ploti -Mae Properties Limited

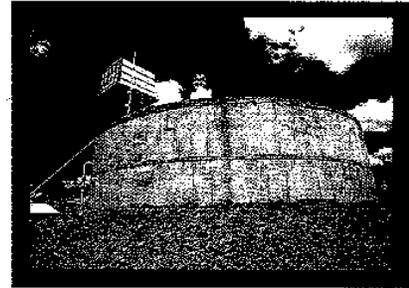
Kwa vile utendaji wa uchumi ulikuwa umezorota ilitarajiwa kwamba mauzo haba ya ploti yangepatikana. Kutokana na hayo, Mae Properties Limited ilipata hasara ya shilingi milioni 7.3 mwakani haswa kwa sababu ya kiasi kikubwa



kilichotengewa kutolipwa kwa mikopo ya shilingi milioni 16.6

### 7.3.1 Safishaji na usambazaji wa maji (Runda Water & Chem Chemi)

Hasara ya shilingi milioni 6.6 pia ilipatikana katika uendeshaji wa Runda Water na Chem Chemi. Kiasi-tengwa cha shilingi milioni 4.5 kilitengewa uwezekano wa madeni yasiyoweza kulipwa na juu ya hayo, gharama ya juu ya chupa na upunguaji dhamani uliorekodiwa katika hesabu ulichangia utendaji huu duni.



### 8. Matokeo ya Kampuni na Kundi Nzima

Mapato ya utegaji uchumi ya shilingi milioni 59.4 yalipatikana ikilinganishwa na shilingi milioni 78.2 katika mwaka uliotangulia. Faida ya kabla ya kodi ya shilingi milioni 45.9 ilipatikana ikilinganishwa na shilingi milioni 51.9 katika 1999. Hasara ya kundi nzima kabla ya kodi ilikuwa shilingi milioni 54.6 dhidi ya faida ya kabla ya kodi ya shilingi milioni 56.9 mwaka uliotangulia. Upungufu huu katika faida ulitokana kwa kiwango kikubwa na utengaji wa fedha uliofanywa katika hesabu kwa madeni yenye tashwishi. Jumla ya rasilimali za kundi lako kwa upande mwingine ilikuwa kutoka shilingi bilioni 3.1 hadi shilingi bilioni 3.9 katika mwaka wa 2000.

### 9. Matazamio ya Baadaye

Kwa kutegemea kuzuiwa kwa uzorotaji wa ukuaji wa kiuchumi na udhabiti wa kisiasa unaodumishwa, hali ya baadaye ya kampuni yako ni yenye matumaini na matukio mengi yanaelekea upande huu. Kampuni inaundwa upya ikiwa na nia kuu ya kuwa zingativu zaidi katika biashara za Maisha na za muda mfupi. Kiasi kikubwa kimetengwa katika hesabu na kwani haielekei kwamba kutatokea uhitaji wake katika siku zijazo, utengaji huu hautapunguza faida za baadaye kwa kiwango kile ulivyofanya katika mwaka unaohakikiwa.

MHE. A A A EKIRAPA, MBUNGE,  
MWENYEKITI  
26 APRILI 2001



## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 56th Annual General Meeting of Pan Africa Insurance Company Limited will be held on 21 June 2001 at The Norfolk, Nairobi at 3.00pm to transact the following business:

1. To confirm the Minutes of:
  - (i) the 55th Annual General Meeting held on 30 June 2000
  - (ii) the Extra Ordinary General Meeting held on 8 December 2000
2. To receive the audited financial statements for the year ended 31 December 2000 and the Report of the Chairman, the Directors and the Auditors.
3. To elect Directors.  
In accordance with the Company's Articles of Association, MW Muigai (Mrs.) and Messrs AAA Ekirapa and DM Mutiso retire by rotation and, being eligible, offer themselves for re-election.
4. To approve the remuneration of the Directors.
5. To re-appoint the auditors, PricewaterhouseCoopers, and authorise the Directors to fix their remuneration.
6. To transact any other business with the permission of the Chair.

By Order of the Board  
S M Muhia  
Secretary  
26 April 2001

Registered Office  
Pan Africa House  
Kenyatta Avenue  
P. O. Box 62551  
Tel. 339544 - 9  
Nairobi  
Email :insure@pan-africa.com

### Note:

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

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





Ilani ya Mkutano Mkuu wa Mwaka

## ILANI YA MKUTANO MKUU WA MWAKA

Ilani inatolewa kwamba mkutano wa hamsini na sita mkuu wa kampuni ya Pan Africa Insurance Company Limited utafanyika katika hoteli ya The Norfolk, Nairobi, siku ya alhamisi, Juni 2001 saa tisa aduhuri kujadili mambo yafuatao:

1. Kuthibitisha kumbukumbu za mikutano ya:-
  - i) Hamsini na tano mkuu wa mwaka uliofanywa mnamo tarehe 30 juni, 2000.
  - ii) Mkutano mkuu maalum wa kampuni uliofanywa mnamo tarehe 8 Desemba, 2000.
2. Kupokea taarifa ya hesabu ya pesa kwa mwaka uliomalizika tarehe 31 Desemba, 2000 pamoja na taarifa ya Mwenyekiti, Wakurugenzi na Wakaguzi-hesabu.
3. Kuwachagua wakurugenzi.  
Kuambarana na sheria za Kushirikishwa kampuni, Bi. M W Muigai na Mabwana A A A Ekirapa na D M Mutiso wanastaafu kwa zamu na kuwa wanastahili, wamejitolea kuchaguliwa tena.
4. Kuamua ujira wa wakurugenzi
5. Kuwateua wakaguzi-hesabu, PricewaterhouseCoopers, 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

26 Aprili 2001

Ofisi Kuu  
Pan Africa House  
Kenyatta avenue  
S L Posta 62551  
Simu: 339544-9  
Nairobi  
Barua meme:insure@pan-africa.com

### Maelezo:

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

Fomu ya kuondolewa ya mwakilishi imetolewa kwa ajili hii kwa ajili hiyo. Ili iwe halali fomu ya mwakilishi iliyojazwa na kutiwa sahihi inapaswa kupelekwa ama kupokewa katika ofisi ya kampuni iliyoandikishwa muda usiopungua masaa 48 kabla ya mwanzo wa mkutano



## CORPORATE GOVERNANCE

Corporate governance is the process by which companies are directed and controlled. Directors of the Board are responsible for the governance of the company whilst the shareholders' role is to appoint the directors and the auditors. The concept of corporate governance has grown in recent years, as reflected in the King Report in South Africa and the Cadbury Report in the United Kingdom. The objective of these reports is to promote the highest standards of corporate governance by setting out a series of recommendations and principles to which all companies should aspire.

The directors recognise the need to conduct the business of the group with integrity and in accordance with generally accepted corporate practices, and endorses the internationally developed principles of corporate governance. Attention will continue to be given to the implementation of corporate governance principles relevant to the group's operations.

## DIRECTORS

The composition of the Board of Directors is set out on pages 2 and 14 and the Board sub-committees are set out below. The Board is chaired by an independent non-executive director and includes two executive and ten other non-executive directors. Board members have extensive business and financial services experience, which is brought to bear in the overall governance of the group.

The Board meets on a quarterly basis to monitor performance against budget and business plan as well as to formulate and implement overall group strategy. The Board's functions are assisted through the operation of the sub-committees, the chairpersons of whom report to the Board.

## AUDIT COMMITTEE

The Audit Committee, chaired by a non-executive director, meets once a quarter and is responsible for reviewing financial information as well as monitoring the effectiveness of management information and internal control systems. The senior finance personnel of the company and its subsidiaries attend all meetings. The committee also considers all significant findings of the internal and external auditors and the Company's actuary, who are invited to attend the meetings.

## INVESTMENT COMMITTEE

The Investment Committee, chaired by a non-executive director, meets once a quarter and is responsible for planning investment strategy and monitoring the performance of the group's investments.

## REMUNERATION COMMITTEE

The Remuneration Committee, chaired by a non-executive director, meets once a quarter. The committee is responsible for ensuring that the directors and senior executives of the group are fairly rewarded for their services and that overall salary reviews for staff are consistent with those of the market, and of the operational performance of the companies within the group.

## BOARD COMMITTEES

### AUDIT

Hon. A A A Ekirapa (Chairman), J A Burbidge, A D Greenwood, W E Olotch, G M Kioi\*, J W Murengi\*, G N Ngure\*

### INVESTMENT

D M Mutiso (Chairman), J A Burbidge, A D Greenwood, W E Olotch, G M Kioi\*, L N Njehia\*, J I O Olubayi

## REMUNERATION

J G Kibe (Chairman), J A Burbidge, A D Greenwood, F T Nyammo, W E Olotch, S M Muhia\*, A O Omita\*

\*Members of management in attendance at the meetings.

## RESPONSIBILITIES

The responsibility for the preparation of the group's and Company's financial statements has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting practice, based on appropriate accounting policies which, except where stated, have been consistently applied and which are supported by reasonable judgments and estimates. Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of:

- the completeness and accuracy of accounting records;
- the integrity and reliability of the group annual financial statements; and
- the safeguarding of the assets of the group.

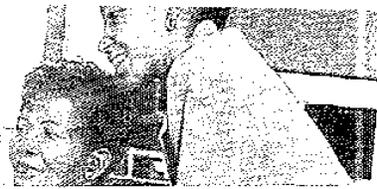
The Board is responsible for the group financial statements and integrity, objectivity and reliability thereof. The directors believe that the financial statements fairly present the financial position of the group as at the end of the financial year and the results of the operations and cash flow information for the year then ended. The Board has no reason to believe that the business will not be a going concern into the foreseeable future.

The external auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit. The auditors' report is set out on page 15.

W E Olotch  
Managing Director  
26 April 2001

A D Greenwood  
Executive Director-Life Operations  
26 April 2001





## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2000 which disclose the state of affairs of the Company and the group.

## INCORPORATION

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

## PRINCIPAL ACTIVITIES

The principal activities of the group are the transaction of all classes of insurance business, development and sale of plots and the purification and sale of water.

## RESULTS AND DIVIDEND

The net loss for the year was Shs 65,046,647 (1999: Shs 30,819,000 - profit). The directors do not recommend payment of a dividend.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including loss risks (claims), credit risk and the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the limited options available in Kenya to hedge against such risks.

The Company has policies in place to ensure that insurance is sold to customers with an appropriate claim and credit history.

## DIRECTORS

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

Hon A A A Ekirapa	- Chairman	J M Kituri
W E Olotch	- Managing Director	Mrs. M W Muigai
A D Greenwood	- Executive Director -Life Operations	D M Mutiso
J A Burbidge		D K Ngini
S M Ethangatta		F T Nyammo
W A Jack		D Lacey (alternate to JA Burbidge)
J G Kibe		A Van Heerden (alternate to WA Jack)

In accordance with the company's Articles of Association, Mrs. MW Muigai and Messrs AAA Ekirapa and DM Mutiso retire by rotation and, being eligible, offer themselves for re-election.

## COMPANY RESTRUCTURE

At an Extra-ordinary General Meeting of the members of the company held on 8 December 2000, the shareholders resolved that, subject to the approval of the Minister of Finance through the Commissioner of Insurance, to restructure the company by the formal separation of the Company's Life Insurance Businesses and General Insurance Business to be managed as independent companies. It is expected that the restructuring will be completed in the course of the year 2001.

## 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  
26 April 2001



**REPORT OF THE AUDITORS  
TO THE MEMBERS OF PAN AFRICA INSURANCE COMPANY LIMITED**

We have audited the financial statements set out on pages 17 to 52. 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. The Company's financial statements are in agreement with the books of account.

**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 state of affairs of the group and the company and of the profit or loss of the group. 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 the financial affairs of the company and the group at 31 December 2000 and of the loss of the group and cash flows of the general insurance business for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

**PRICEWATERHOUSECOOPERS** 

Certified Public Accountants  
Nairobi  
26 April 2001



**CERTIFICATE OF SOLVENCY IN RESPECT OF LIFE AND PENSION POLICIES OF PAN AFRICA INSURANCE COMPANY LIMITED**

I have conducted a statutory actuarial valuation of the long-term business of Pan Africa Insurance Company Limited as at 31 December 2000.

This valuation has been conducted in accordance with generally accepted actuarial principles and in compliance with the requirements of the Insurance Act. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies. In completing the actuarial valuation, I have relied upon the audited financial statements of the company.

In my opinion, the long-term business of the company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance and pension fund business did not exceed the amount of the Statutory Insurance Funds as at 31 December 2000.

J I O Olubayi  
Fellow of the Institute of Actuaries  
26 April 2001

Report on the Solvency Actuary



## Profit and Loss Accounts

Profit and Loss Accounts

	Notes	Group		Company	
		2000 Shs'000	As restated 1999 Shs'000	2000 Shs'000	As restated 1999 Shs'000
<b>INCOME</b>					
Investment income	5 (a)	59,415	78,182	59,415	78,182
Subsidiaries' operating (loss)/profit		(10,644)	109	-	-
<b>TOTAL INCOME</b>		<b>48,771</b>	<b>78,291</b>	<b>59,415</b>	<b>78,182</b>
<b>OUTGO</b>					
Loss transferred from general insurance business revenue accounts (page 19)		(113,758)	(28,376)	(113,758)	(28,376)
<b>TOTAL OUTGO</b>		<b>(113,758)</b>	<b>(28,376)</b>	<b>(113,758)</b>	<b>(28,376)</b>
Operating (loss)/profit	2	(64,987)	49,915	(54,343)	49,806
Share of associate's results before tax	16	8,486	2,095	8,486	2,095
Finance income	7(a)	1,840	4,949	-	-
(Loss)/profit before tax		(54,661)	56,959	(45,857)	51,901
Tax	8	(10,386)	(26,140)	(5,315)	(14,359)
(Loss)/profit attributable to shareholders of the company	9	(65,047)	30,819	(51,172)	37,542
		<b>Shs.</b>	<b>Shs.</b>		
Basic (loss)/ earnings per share					
- as originally reported	10	(1.46)	1.28		
- as restated for rights issue	10	(1.46)	1.17		
Diluted (loss)/earnings per share	10	(1.46)	1.28		
<b>Dividends:</b>					
		<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Proposed		-	12,000	-	12,000



## Long -Term Insurance Business Revenue Accounts

	Notes	Individual life Shs'000	Super annuation Shs'000	Statutory funds General fund Shs'000	As restated Total 2000 Shs'000	Total 1999 Shs'000
<b>INCOME</b>						
Premium income	4	208,933	34,845	-	243,778	218,375
Investment income	5 (b)	102,481	8,837	837	112,155	104,737
<b>Total income</b>		<b>311,414</b>	<b>43,682</b>	<b>837</b>	<b>355,933</b>	<b>323,112</b>
<b>OUTGO</b>						
Commissions and other selling expenses		38,816	105	-	38,921	37,720
Management expenses		137,492	14,072	-	151,564	125,797
<b>Total outgo</b>		<b>176,308</b>	<b>14,177</b>	<b>-</b>	<b>190,485</b>	<b>163,517</b>
Excess of income over outgo		135,106	29,505	837	165,448	159,595
Policyholders' benefits	6	(97,695)	(19,187)	-	(116,882)	(96,586)
<b>Income from normal operations</b>		<b>37,411</b>	<b>10,318</b>	<b>837</b>	<b>48,566</b>	<b>63,009</b>
Equipment impairment charge	2	(16,017)	-	-	(16,017)	-
Transfer from the general fund	27 (a)	97,500	2,500	(100,000)	-	-
<b>Increase/(decrease) in Life funds</b>	<b>2</b>	<b>118,894</b>	<b>12,818</b>	<b>(99,163)</b>	<b>32,549</b>	<b>63,009</b>
Life funds at 1 January						
as previously stated		636,212	71,247	123,208	830,667	771,054
prior year adjustment	28	3,396	-	-	3,396	-
as restated		639,608	71,247	123,208	834,063	771,054
<b>Life funds at 31 December</b>	<b>27(a)</b>	<b>758,502</b>	<b>84,065</b>	<b>24,045</b>	<b>866,612</b>	<b>834,063</b>

**General Insurance Business Revenue Accounts (Company)**

**Pan Africa Insurance Company Limited**  
**Financial Statements**  
**for the year ended 31 December 2000**

	Motor pool	Aviation	Engineering	Domestic	Fire Industrial	Fire Insurance	Liability	Marine & Transit	Motor Private	Motor Commercial	Medical Insurance	Personal Accident	Theft Insurance	Workmen's Compensation	Misc. Accident	Total As restated 2000	1999	Total		
Net written premium	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	
	-	14,222	3,752	10,080	29,961	2,222	7,145	71,796	99,071	41,245	19,208	10,277	12,702	8,043	329,724	349,775				
Unearned premiums b/f	-	165	347	1,664	9,037	486	3,126	21,592	32,870	3,653	1,660	2,833	2,062	1,415	80,930	118,945				
Unearned premiums c/f	-	(1,128)	(421)	(2,241)	(5,897)	(549)	(3,365)	(21,171)	(26,506)	(9,073)	(2,136)	(2,425)	(3,964)	(1,642)	(80,518)	(80,930)				
Net earned premium	-	13,259	3,678	9,503	33,121	2,159	6,906	72,217	105,435	35,825	18,732	10,685	10,800	7,816	330,136	387,790				
Claims paid	1,217	9,695	3,036	1,033	10,393	(1,793)	3,165	56,804	90,530	32,095	3,600	11,975	8,143	1,331	231,224	198,325				
Outstanding claims c/f	11,078	110	3,939	3,573	11,679	12,731	6,101	80,944	147,819	7,616	13,705	16,738	26,891	4,753	347,677	372,716				
Outstanding claims b/f	(10,224)	(395)	(4,801)	(2,419)	(11,002)	(11,632)	(7,498)	(94,394)	(164,821)	(6,689)	(14,414)	(18,351)	(21,942)	(4,134)	(372,716)	(314,619)				
Claims incurred	2,071	9,410	2,174	2,187	11,070	(694)	1,768	43,354	73,528	33,022	2,891	10,362	13,092	1,950	206,185	256,422				
Commissions	-	1,791	(2,987)	(1,013)	2,673	331	2,585	5,878	6,804	6,071	3,153	962	2,042	391	28,681	37,510				
Expenses	-	3,336	2,862	3,460	16,837	794	5,670	18,864	26,602	13,172	5,637	6,844	3,356	2,639	110,093	110,018				
Premium tax & levies	-	228	191	223	1,115	51	388	1,226	1,727	2,648	392	445	216	184	9,034	8,048				
Total commission and expenses	-	5,355	66	2,670	20,625	1,176	8,643	25,968	35,133	21,891	9,202	8,251	5,614	3,214	147,808	155,57				
Technical (loss)/profit	(2,071)	(1,506)	1,438	4,646	1,426	1,677	(3,505)	2,895	(3,226)	(19,088)	6,639	(7,928)	(7,906)	2,652	(23,857)	(24,208)				
Bad debts expense																		(89,901)	(4,168)	
Underwriting (loss)/profit																			(113,758)	(28,376)

## Consolidated Balance Sheet

	Notes	Long-term insurance business Shs'000	General insurance business and shareholders' funds Shs'000	Total 2000 Shs'000	As restated Total 1999 Shs'000
<b>EQUITY AND LONG-TERM FUNDS</b>					
<b>Capital and reserves</b>					
Share capital	25	-	240,000	240,000	120,000
Share premium	25	-	364,431	364,431	-
Non-distributable reserves	26 (a)	-	820,349	820,349	889,220
Distributable reserves		-	125,676	125,676	186,274
Proposed dividends		-	-	-	12,000
<b>Shareholders' funds</b>		-	1,550,456	1,550,456	1,207,494
<b>Life funds</b>					
Statutory funds	27 (a)	842,567	-	842,567	710,855
General fund	27 (b)	24,045	-	24,045	123,208
		866,612	-	866,612	834,063
<b>TOTAL EQUITY AND LONG-TERM FUNDS</b>		866,612	1,550,456	2,417,068	2,041,557
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11 (a)	20,194	260,249	280,443	317,508
Investment properties	12	647,375	569,527	1,216,902	1,232,027
Government securities	13	127,400	65,650	193,050	227,600
Quoted ordinary shares	14	39,506	27,020	66,526	35,104
Unquoted ordinary shares	15 (a)	-	72,041	72,041	67,793
Investment in associated company	16	-	25,081	25,081	18,877
Non-current receivables	17	-	28,885	28,885	33,267
Mortgage loans	18	41,627	73,006	114,633	111,521
Policy loans	19	71,183	-	71,183	62,809
Land and development	20	-	216,736	216,736	304,489
		947,285	1,338,195	2,285,480	2,410,995
<b>Current assets</b>					
Bank balances, deposits and cash	21	503,034	72,140	575,174	77,495
Outstanding premiums, agents and brokers' balances		5,613	182,174	187,787	175,942
Amounts due from reinsurers		204	123,375	123,579	159,459
Tax recoverable		-	20,860	20,860	20,958
Intra-company current account		-	532,848	532,848	-
Other receivables	22(a)	76,970	28,783	105,753	174,624
Stocks	23	-	1,915	1,915	1,432
Deferred development costs	24	-	41,201	41,201	40,557
		585,821	1,003,296	1,589,117	650,467
<b>TOTAL ASSETS</b>		1,533,106	2,341,491	3,874,597	3,061,462



## Consolidated Balance Sheet (Continued)

Consolidated Balance Sheet (Continued)

	Notes	Long-term insurance business Shs'000	General insurance business and shareholders' funds Shs'000	Total 2000 Shs'000	As restated Total 1999 Shs'000
<b>LIABILITIES</b>					
<b>Technical provisions</b>					
Unearned premiums		-	80,518	80,518	80,930
Outstanding claims		85,712	347,677	433,389	456,000
		<u>85,712</u>	<u>428,195</u>	<u>513,907</u>	<u>536,930</u>
<b>Non-current liabilities</b>					
Deferred tax	29	-	125,654	125,654	152,440
<b>Other liabilities</b>					
Dividends payable		-	19,009	19,009	17,595
Amounts due to reinsurers		1,203	79,409	80,612	84,785
Current tax		-	40,756	40,756	67,022
Intra-company current account		532,848	-	532,848	-
Other payables	30(a)	46,731	73,678	120,409	140,238
Borrowings	31	-	24,334	24,334	20,895
		<u>580,782</u>	<u>237,186</u>	<u>817,968</u>	<u>330,535</u>
<b>TOTAL LIABILITIES</b>		<u>666,494</u>	<u>791,035</u>	<u>1,457,529</u>	<u>1,019,905</u>
		<u>866,612</u>	<u>1,550,456</u>	<u>2,417,068</u>	<u>2,041,557</u>

The financial statements on pages 17 to 52 were approved by the board of directors on 26 April 2001 for issue, and signed on its behalf by:-

Hon. A A A Ekirapa  
 Chairman

W E Olotch  
 Principal Officer

A D Greenwood  
 Executive Director



## Company Balance Sheet

	Notes	Long-term insurance business Shs'000	General insurance business and shareholders' funds Shs'000	Total 2000 Shs'000	As restated Total 1999 Shs'000
<b>EQUITY AND LONG-TERM FUNDS</b>					
Share capital	25	-	240,000	240,000	120,000
Share premium	25	-	364,431	364,431	-
Non-distributable reserves	26 (b)	-	535,137	535,137	540,061
Distributable reserves		-	173,045	173,045	224,217
Proposed dividends		-	-	-	12,000
<b>Shareholders' funds</b>		-	1,312,613	1,312,613	896,278
<b>Life funds</b>					
Statutory funds	27 (a)	842,567	-	842,567	710,855
General fund	27 (b)	24,045	-	24,045	123,208
		866,612	-	866,612	834,063
<b>TOTAL EQUITY AND LONG -TERM FUNDS</b>		866,612	1,312,613	2,179,225	1,730,341
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11 (b)	20,194	35,773	55,967	88,902
Investment properties	12	647,375	569,527	1,216,902	1,232,027
Government securities	13	127,400	65,650	193,050	227,600
Quoted ordinary shares	14	39,506	27,020	66,526	35,104
Unquoted ordinary shares	15(b)	-	165,474	165,474	161,226
Investment in associated company	16	-	25,081	25,081	18,877
Mortgage loans	18	41,627	73,006	114,633	111,521
Policy loans	19	71,183	-	71,183	62,809
Deferred tax	29	-	2,723	2,723	5,757
		947,285	964,254	1,911,539	1,943,823
<b>Current assets</b>					
Bank balances, deposits and cash	21	503,034	67,656	570,690	75,345
Outstanding premiums, agents and brokers' balances		5,613	182,171	187,784	175,942
Amounts due from reinsurers		204	123,375	123,579	159,460
Tax recoverable		-	20,860	20,860	20,958
Intra- business current account		-	532,848	532,848	-
Other receivables	22(b)	76,970	28,465	105,435	138,219
		585,821	955,375	1,541,196	569,924
<b>TOTAL ASSETS</b>		1,533,106	1,919,629	3,452,735	2,513,747

## Company Balance Sheet (Continued)

	Notes	Long-term insurance business Shs'000	General insurance business and shareholders' funds Shs'000	Total 2000 Shs'000	As restated Total 1999 Shs'000
<b>Technical provisions</b>					
Unearned premiums		-	80,518	80,518	80,930
Outstanding claims		85,712	347,677	433,389	456,000
		85,712	428,195	513,907	536,930
<b>Other liabilities</b>					
Dividends payable		-	19,009	19,009	17,596
Amounts due to reinsurers		1,203	79,408	80,611	84,785
Current tax		-	4,730	4,730	17,249
Intra- company current account		532,848	-	532,848	-
Other payables	30(b)	46,731	52,322	99,053	115,951
Borrowings	31	-	23,352	23,352	10,895
		580,782	178,821	759,603	246,476
<b>TOTAL LIABILITIES</b>		666,494	607,016	1,273,510	783,406
		866,612	1,312,613	2,179,225	1,730,341

The financial statements on pages 17 to 52 were approved by the board of directors on 26 April 2001 for issue, and signed on its behalf by:-

Hon. A A A Ekirapa  
 Chairman

W E Olotch  
 Principal Officer

A D Greenwood  
 Executive Director



## Consolidated Statement of changes in Equity

	Notes	Share capital Shs'000	Non distributable reserves Shs'000	Share premium Shs'000	Distributable reserves Shs'000	Proposed dividends Shs'000	Total Shs'000
<b>Year ended 31 December 1999</b>							
At start of year							
- as previously stated		65,000	628,765	-	222,455	-	916,220
- effect of adopting IAS 10 (revised)		-	-	-	-	22,750	22,750
- as restated		65,000	628,765	-	222,455	22,750	938,970
Surplus / (deficit) arising from revaluation of:							
Property, plant and equipment		-	105,058	-	-	-	105,058
Investment properties		-	146,000	-	-	-	146,000
Quoted ordinary shares		-	(7,088)	-	-	-	(7,088)
Unquoted ordinary shares	15(a)	-	(2,000)	-	-	-	(2,000)
Land and development	20	-	104,679	-	-	-	104,679
Released in respect of plot sold	20	-	(27,139)	-	-	-	(27,139)
Deferred tax effect on revaluation		-	(67,875)	-	-	-	(67,875)
Deferred tax released on sale of plots		-	8,820	-	-	-	8,820
Net gains not recognised in income statement		-	260,455	-	-	-	260,455
Net profit		-	-	-	30,819	-	30,819
Bonus shares issued	25	55,000	-	-	(55,000)	-	-
Dividends:							
- Final for 1998 (declared)		-	-	-	-	(22,750)	(22,750)
- Proposed for 1999		-	-	-	(12,000)	12,000	-
At end of year		120,000	889,220	-	186,274	12,000	1,207,494
<b>Year ended 31 December 2000</b>							
At start of year							
- as previously reported		120,000	889,220	-	186,274	-	1,195,494
- effect of adopting IAS 10 (revised)		-	-	-	-	12,000	12,000
- as restated		120,000	889,220	-	186,274	12,000	1,207,494
Surplus/(deficit) arising from revaluation of:							
Investment properties	12	-	(10,000)	-	-	-	(10,000)
Quoted ordinary shares	14	-	5,076	-	-	-	5,076
Released in respect of plots sold	20	-	(87,793)	-	-	-	(87,793)
Deferred tax released on sale of plots	29	-	26,320	-	-	-	26,320
Transfer of excess depreciation (Net of deferred tax)	29	-	(2,474)	-	4,449	-	1,974
Net losses not recognised in income statement		-	(68,870)	-	4,449	-	(64,421)
Net loss		-	-	-	(65,047)	-	(65,047)
Dividends:							
- For 1999 (declared)		-	-	-	-	(12,000)	(12,000)
Issue of share capital	25	120,000	-	364,431	-	-	484,431
At end of year		240,000	820,349	364,431	125,676	-	1,550,456

## Company Statement of changes in Equity

	Notes	Non Share capital Shs'000	Share distributable reserves Shs'000	Share premium Shs'000	Distributable reserves Shs'000	Proposed dividends Shs'000	Total Shs'000
<b>Year ended 31 December 1999</b>							
At start of year							
- as previously stated		65,000	403,149	-	253,675	-	721,824
- effect of adopting IAS 10 (revised)		-	-	-	-	22,750	22,750
- as restated		65,000	403,149	-	253,675	22,750	744,574
(Deficit)/surplus arising from revaluation of:							
Investment properties		-	146,000	-	-	-	146,000
Quoted ordinary shares		-	(7,088)	-	-	-	(7,088)
Unquoted ordinary shares	15(b)	-	(2,000)	-	-	-	(2,000)
Net gains not recognised in income statement		-	136,912	-	-	-	136,912
Net profit		-	-	-	37,542	-	37,542
Dividends:							
- Final for 1998 (declared)		-	-	-	-	(22,750)	(22,750)
- Proposed for 1999		-	-	-	(12,000)	12,000	-
Bonus shares issued	25	55,000	-	-	(55,000)	-	-
At end of year		120,000	540,061	-	224,217	12,000	896,278
<b>Year ended 31 December 2000</b>							
At start of year							
- as previously stated		120,000	540,061	-	224,217	-	884,278
- effect of adopting IAS 10 (revised)		-	-	-	-	12,000	12,000
- as restated		120,000	540,061	-	224,217	12,000	896,278
Surplus/(deficit) arising from revaluation of:							
Investment properties	12	-	(10,000)	-	-	-	(10,000)
Quoted ordinary shares	14	-	5,076	-	-	-	5,076
Net losses not recognised in income statement		-	(4,924)	-	-	-	(4,924)
Net loss		-	-	-	(51,172)	-	(51,172)
Dividends:							
- Final for 1999 (declared)		-	-	-	-	(12,000)	(12,000)
Issue of share capital	25	120,000	-	364,431	-	-	484,431
At end of year		240,000	535,137	364,431	173,045	-	1,312,613



## General Insurance Business Cash Flow Statement

	Notes	Group		Company	
		2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
<b>Cash flow from operating activities</b>					
(Loss)/profit before tax		(54,661)	56,959	(45,858)	51,902
Adjustment for :					
Depreciation		33,731	25,169	15,954	12,671
Premiums and claims reserves		(25,451)	20,082	(25,451)	20,082
Investment income		(67,899)	(90,140)	(59,415)	(80,278)
<b>Operating profit before working capital changes</b>		(114,280)	12,070	(114,770)	4,377
Increase in debtors		(409,807)	(45,273)	(446,115)	(4,769)
Increase/(decrease) in creditors		29,823	(2,540)	32,756	2,366
<b>Cash (absorbed by) /generated from operations</b>		(494,264)	(35,743)	(528,129)	1,974
Income tax paid		(34,323)	(39,624)	(15,553)	(26,971)
<b>Net cash absorbed by operating activities</b>		(528,587)	(75,367)	(543,682)	(24,997)
<b>Cash flows from financing activities</b>					
Investment income received		56,374	92,626	46,473	84,909
Dividends paid		(10,587)	(20,065)	(10,587)	(20,065)
<b>Net cash flows from financing activities</b>		45,787	72,561	35,886	64,844
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(14,598)	(18,325)	(953)	(15,432)
Mortgage loans redeemed		38,516	13,450	38,516	13,450
Net sale/(purchase) of shares		(5,193)	5,585	(5,193)	(47,015)
Net redemptions of Government securities		21,800	17,350	21,800	17,350
Issue of shares	25	484,431	-	484,431	-
<b>Net cash flows from investing activities</b>		524,956	18,060	538,601	(31,647)
<b>Net increase in cash and cash equivalents</b>		42,156	15,254	30,805	8,200
Cash and cash equivalents at start of year		5,651	(9,605)	13,499	5,300
<b>Cash and cash equivalents at end of year</b>	21	47,807	5,649	44,304	13,500



## Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) **Basis of preparation**

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya shillings (Shs'000) and are prepared under the historical cost convention, as modified by the revaluation of certain of the group's property, plant and equipment, investment properties and marketable securities.

(b) **Group accounting**

(i) **Subsidiary undertakings**

Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group.

(ii) **Associated undertakings**

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the group generally has between 20 % and 50 % of the voting rights, or over which the group has significant influence, but which it does not control. Unrealised gains on transactions between the group and its associated undertakings are eliminated to the extent of the group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the group has incurred obligations or guaranteed obligations in respect of the associated undertakings. The consolidated financial statements include the group's share of results and net assets of Reliance Insurance Company (Tanzania) Limited, an associated company, based on unaudited management accounts for the year ended 31 December 2000

(c) **Underwriting results**

**General insurance business**

The underwriting results for general insurance 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 premiums represent that portion of the premiums written in periods up to the accounting date, which are attributable to subsequent periods calculated on 1/365ths basis for direct business and 1/8ths basis for inward business.
- (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 year 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").



## Principal Accounting Policies (continued)

### (c) Underwriting results (continued)

#### General insurance business (continued)

- (iv) Reinsurance inward 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 Pool's 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.
- (vi) Expenses and commissions are allocated to the relevant revenue accounts as incurred in the management of each class of business. Commissions are 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. Effective 2000 financial year, bad debt expenses relating to the general insurance business have been charged to the revenue accounts as opposed to the profit and loss accounts in the previous years. Comparative figures have been restated accordingly.

#### Long-term insurance business

- (i) The full annual premium income is recognised in respect of ordinary life recurring policy contracts on policy anniversary dates, after making provision for policy lapses and other terminations. This change in accounting policy is amplified further in note 28. Group life and pension contributions are accounted for as premium income when received.
- (ii) Claims arising on maturity are recognised when the claim becomes due for payment. Surrenders and death claims are accounted for on notification.
- (iii) Expenses and commission are allocated to the life fund as incurred in the management of long-term insurance business.
- (iv) The life fund is assessed annually by the company's consulting actuaries. Surpluses arising are allocated by the directors with the advice of the actuaries, and in accordance with the Articles of Association, to policyholders' bonuses and profit and loss account. Any balance remaining is carried forward in the Statutory Funds.

### (d) Investment income

Investment income, which comprises interest, rental income and dividends receivable are accounted for on an accruals basis, and are stated net of investment expenses. For long-term insurance business, the resultant surpluses or deficits from revaluation of investment properties and quoted shares are also accounted for as part of investment income.

Income arising from long-term insurance business investments is taken up in the long-term revenue account whilst income derived from investments held by the general insurance business is credited to the profit and loss account.

### (e) Property, plant and equipment

All property, plant and equipment is 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 is 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. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, or revalued amount to its residual value, over its estimated useful life as follows:

Buildings (in a subsidiary company)	20 years
Motor vehicles	3-4 years
Furniture, fittings and equipment	4-8 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.



## Principal Accounting Policies (continued)

### (f) Investment properties

Investment properties are treated as long-term investments and carried at market value determined periodically on valuations by external independent valuers. Investment properties are not subject to depreciation, unless the unexpired period of lease is 20 years or less.

Increases in the carrying amount of investment properties are credited to revaluation reserves in shareholders' equity in respect of general insurance business, and the long-term revenue accounts in respect of long-term insurance business. Decreases in the carrying value of investment properties related to long-term insurance business are dealt with in the long-term revenue accounts. For general insurance business, decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the profit and loss account.

### (g) Other investments

Other investments are stated at the following values:

- (i) Mortgages and other loans - at redemption values.
- (ii) Quoted 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. Changes in the carrying amount of quoted shares held by general insurance business are credited to the revaluation reserve, whilst changes in respect of shares attributable to long-term insurance business are dealt with in the life fund.
- (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 cost. Provisions are made for any permanent diminution in value in the period in which it is identified.

### (h) Land and development and deferred development expenses

Land and development, which relates to a subsidiary company, is stated at open market value, whilst development expenses are written off as and when incurred, except in respect of the unsold plots which are deferred and released on sale of related plots.

### (i) 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. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for the costs of realisation.



## Principal Accounting Policies (continued)

(j) Translation of foreign currencies

Transactions during the year are converted into Kenya Shillings at rates ruling at the transaction date. Assets and liabilities expressed in foreign currencies are translated to Kenya Shillings at the rate of exchange ruling at year-end. Differences arising on translation are charged to the long-term insurance business revenue accounts in respect of the long-term insurance business and profit and loss account in respect of the general insurance business.

(k) Accounting for leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the long-term revenue accounts and profit and loss account on a straight-line basis over the period of lease.

(l) 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 or substantively enacted tax rates are used to determine deferred tax.

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

(m) Receivables

Receivables are carried at anticipated realisable value. Specific provision is made for all known doubtful debts based upon a review of all outstanding amounts at the year-end. Bad debts are written off when all reasonable steps to recover them have been taken without success.

(n) Retirement benefit obligations

The group operates a defined contribution pension scheme for all its permanent employees. The group's contributions are charged to the profit and loss account and the long-term revenue accounts in the year to which they relate.

(o) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) 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, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

(q) 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 Standard, 10 (revised), which the company and group have implemented in the year.

In addition, comparative figures have been restated with the effect of the prior year adjustments (Note 28).

## Notes forming part of the Financial Statements

### 1. Segment information: Business segments

The group activities are all conducted in Kenya and are organised into three main business segments namely; insurance business, sale of plots and coffee farming and distribution of water. The results of the insurance business segment are reported separately under the long term insurance business revenue accounts and the general insurance business revenue accounts which are part of the primary financial statements.

The following segment information is given in respect of general insurance business, sale of plots & coffee farming and distribution of water:

	General insurance business Shs'000	Sale of plots and coffee farming Shs'000	Water distribution Shs'000	TOTAL Shs'000
<b>Year ended 31 December 2000:</b>				
Net premium income/sales	329,724	64,942	35,830	430,496
Segment result	(54,343)	(1,301)	(9,343)	(64,987)
Finance (costs)/income	-	1,842	(1)	1,841
Share of associate's profits	8,485	-	-	8,485
Profit/(loss) before tax	(45,858)	541	(9,344)	(54,661)
Tax	(5,315)	(7,814)	2,743	(10,386)
Net loss	(51,173)	(7,273)	(6,601)	(65,047)
Segment assets	1,919,632	353,245	68,614	2,341,491
Segment liabilities	607,017	162,258	21,760	791,035
Capital expenditure	3,938	370	13,280	17,588
Depreciation	15,954	7,678	10,099	33,731
<b>Year ended 31 December 1999:</b>				
Net premium income/sales	349,775	67,369	14,308	431,452
Segment result	49,807	6,288	(6,180)	49,915
Finance income	-	4,949	-	4,949
Share of associate's profits	2,095	-	-	2,095
Profit/(loss) before tax	51,902	11,237	(6,180)	56,959
Tax	(14,359)	(11,781)	-	(26,140)
Net profit/(loss)	37,543	(544)	(6,180)	30,819
Segment assets	1,494,640	605,815	60,887	2,161,342
Segment liabilities	610,363	225,783	16,819	852,965
Capital expenditure	12,671	15,935	9,191	37,797
Depreciation	15,432	2,074	819	18,325

The information on long-term insurance business is disclosed in the long-term insurance business revenue accounts.



## Notes forming part of the Financial Statements (continued)

Notes forming part of the Financial Statements (Continued)

### 2. Operating (loss)/profit and changes in the Life Funds

	Long-term insurance business Shs'000	General insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
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The following items have been charged in arriving at operating profit and increase in the Life Funds:

#### a) Group

Depreciation (Note 11 (a))	19,507	33,731	53,238	37,797
Impairment charge (Note 11 (a))	16,017	-	16,017	-
Auditors' remuneration	850	1,800	2,650	2,611
Staff costs (Note 3)	74,739	80,209	154,948	124,360
Operating lease rentals	1,258	2,101	3,359	1,636
Directors' remuneration				
- Fees	443	4,352	4,795	3,432
- For management	2,276	5,311	7,587	2,545

#### b) Company

Depreciation (Note 11 (b))	19,507	15,954	35,461	25,299
Impairment charge (Note 11(b))	16,017	-	16,017	-
Auditors' remuneration	850	1,200	2,050	2,000
Staff costs (Note 3)	74,739	67,465	142,204	112,301
Operating lease rentals	1,258	2,101	3,359	1,636
Directors' remuneration				
- Fees	443	444	887	887
- For management	2,276	5,311	7,587	2,545

### 3. Staff costs

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000

The following items are included within staff costs :

Pension costs - defined contribution plan	10,111	6,245	9,286	5,728
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The number of persons employed at year end was:

	Group		Company	
	2000 Number	1999 Number	2000 Number	1999 Number
- Full time	173	203	171	201
- Part time	69	78	-	-



Notes forming part of the Financial Statements (continued)

8. Tax	2000	1999
	Shs'000	Shs'000
a) Group		
Current tax	6,596	29,601
Deferred tax (Note 29)	1,508	(4,089)
Share of tax of associate (Note 16)	2,282	628
<b>Tax charge</b>	<b>10,386</b>	<b>26,140</b>

The tax on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rates as follows:

	2000	1999
	Shs'000	Shs'000
(Loss) / Profit before tax	(54,661)	56,959
Tax calculated at a tax rate of 30 % (1999 - 32.5%)	(16,398)	18,511
Tax effect of :		
Income not subject to tax	(5,292)	(8,377)
Deferred tax asset not recognised	17,332	(2,456)
Share of associate's results	(8,486)	(2,095)
Expenses not deductible for tax purposes	23,230	20,557
<b>Tax charge</b>	<b>10,386</b>	<b>26,140</b>

b) Company		
Current tax	-	16,188
Deferred tax (Note 29)	3,033	(2,457)
Share of tax of associate (Note 16)	2,282	628
<b>Tax charge</b>	<b>5,315</b>	<b>14,359</b>



## Notes forming part of the Financial Statements (continued)

### 2. Operating (loss)/profit and changes in the Life Funds

	Long-term insurance business Shs'000	General insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
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The following items have been charged in arriving at operating profit and increase in the Life Funds:

#### a) Group

Depreciation (Note 11 (a))	19,507	33,731	53,238	37,797
Impairment charge (Note 11 (a))	16,017	-	16,017	-
Auditors' remuneration	850	1,800	2,650	2,611
Staff costs (Note 3)	74,739	80,209	154,948	124,360
Operating lease rentals	1,258	2,101	3,359	1,636
Directors' remuneration				
- Fees	443	4,352	4,795	3,432
- For management	2,276	5,311	7,587	2,545

#### b) Company

Depreciation (Note 11 (b))	19,507	15,954	35,461	25,299
Impairment charge (Note 11 (b))	16,017	-	16,017	-
Auditors' remuneration	850	1,200	2,050	2,000
Staff costs (Note 3)	74,739	67,465	142,204	112,301
Operating lease rentals	1,258	2,101	3,359	1,636
Directors' remuneration				
- Fees	443	444	887	887
- For management	2,276	5,311	7,587	2,545

### 3. Staff costs

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000

The following items are included within staff costs:

Pension costs - defined contribution plan	10,111	6,245	9,286	5,728
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The number of persons employed at year end was:

	Group		Company	
	2000 Number	1999 Number	2000 Number	1999 Number
- Full time	173	203	171	201
- Part time	69	78	-	-

Notes forming part of the Financial Statements (continued)

4. Long-term insurance business premium income

	Individual Life Shs'000	Super Annuation Shs'000	Total 2000 Shs'000	As restated
				Total
				1999 Shs'000
Gross premium income	210,077	35,833	245,910	228,889
Reassurances	(1,204)	(4,784)	(5,988)	(13,158)
Profit commission	60	3,796	3,856	2,644
Reassurances net of commissions	(1,144)	(988)	(2,132)	(10,514)
Net premium income	208,933	34,845	243,778	218,375

5. Investment income (Group and Company)

(a) General insurance business

	2000 Shs'000	1999 Shs'000
Interest income	48,258	35,487
Property rental income	10,427	38,514
Dividend income	730	4,181
	59,415	78,182

(b) Long - term insurance business

	Individual Life Shs'000	Super Annuation Shs'000	General Fund Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
Interest income	57,491	7,369	843	65,703	28,929
Property rental income	29,716	2,889	941	33,546	21,100
Dividend income	463	45	15	523	334
Other income	9,118	887	289	10,294	2,136
Profit on disposal of plant and equipment	1,496	145	47	1,688	333
Revaluation of investment properties	(22,146)	(2,153)	(701)	(25,000)	57,500
Revaluation of quoted shares	26,343	(345)	(597)	25,401	(5,595)
	102,481	8,837	837	112,155	104,737



*Notes* forming part of the Financial Statements (continued)

6. Policyholders' benefits	Individual Life Shs'000	Super Annuation Shs'000	2000 Total Shs'000	1999 Total Shs'000
Death and disability claims	7,158	14,266	21,424	17,409
Less: Amounts recovered from reinsurers	(209)	(4,468)	(4,677)	(2,649)
Net death and disability claims	6,949	9,798	16,747	14,760
Maturities claims	43,987	-	43,987	33,896
Surrenders and bonuses	5,560	9,389	14,949	23,713
Annuities	41,199	-	41,199	24,217
	97,695	19,187	116,882	96,586
<b>7. Finance income/(costs)</b>				
<b>a) Group</b>				
Interest income - credited to profit and loss account			1,840	4,949
<b>b) Company</b>				
Interest income				
- General insurance business (note 5 (a) )			48,258	35,487
- Long-term insurance business (note 5(b))			65,703	28,929
			113,961	64,416
Interest on bank overdraft - charged to General insurance revenue accounts as part of expenses			(3,307)	(2,488)

Notes forming part of the Financial Statements (continued)



Notes forming part of the Financial Statements (continued)

8. Tax		2000	1999
		Shs'000	Shs'000
a) Group			
Current tax		6,596	29,601
Deferred tax (Note 29)		1,508	(4,089)
Share of tax of associate (Note 16)		2,282	628
Tax charge		10,386	26,140

The tax on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rates as follows:

	2000	1999
	Shs'000	Shs'000
(Loss) / Profit before tax	(54,661)	56,959
Tax calculated at a tax rate of 30 % (1999 - 32.5%)	(16,398)	18,511
Tax effect of:		
Income not subject to tax	(5,292)	(8,377)
Deferred tax asset not recognised	17,332	(2,456)
Share of associate's results	(8,486)	(2,095)
Expenses not deductible for tax purposes	23,230	20,557
Tax charge	10,386	26,140

b) Company		
Current tax	-	16,188
Deferred tax (Note 29)	3,033	(2,457)
Share of tax of associate (Note 16)	2,282	628
Tax charge	5,315	14,359

Notes forming part of the Financial Statements (Continued)



## Notes forming part of the Financial Statements (continued)

### 9 (Loss)/profit attributable to shareholders of the Company

The parent company's net(loss)/ profit for the year is reconciled to the group financial statements as follows :

	2000 Shs'000	1999 Shs'000
Parent company's net (loss)/profit for the year	(51,173)	37,543
Add :		
Company's share of subsidiary companies' net loss for the year	(13,874)	(6,724)
Group (loss)/profit attributable to the shareholders of Pan Africa Insurance Company Limited	<u>(65,047)</u>	<u>30,819</u>

### 10 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue at year-end.

	2000	Group 1999
Net (loss)/profit attributable to shareholders (Shs'000)	(65,047)	30,819
Weighted average number of ordinary shares in issue (thousands)	44,601	24,000
Basic (loss)/earnings per share (Shs)	<u>(1.46)</u>	<u>1.28</u>

The weighted average number of ordinary shares used in calculating the basic earnings per share for 1999, restated for the effect of the rights issue, is the number of ordinary shares outstanding as at year end, adjusted by a factor 1.093 that takes into account the theoretical ex-rights fair value per share.

	2000	Group 1999
Net (loss)/profit attributable to shareholders (Shs'000)	(65,047)	30,819
Weighted average number of ordinary shares in issue (thousands)	44,601	24,000
Adjustment factor	-	1.093
Adjusted weighted average number of ordinary shares in issue (thousands)	<u>44,601</u>	<u>26,232</u>
Basic (loss)/earnings per share (Shs) (restated for rights issue)	<u>(1.46)</u>	<u>1.17</u>

There were no potentially dilutive shares outstanding at 31 December 2000 or 1999.

Notes forming part of the Financial Statements (continued)

11 Property, plant and equipment

a) Group	Land and buildings Shs'000	Motor vehicles Shs'000	Furniture, fittings and equipment Shs'000	Computer equipment Shs'000	Total Shs'000
<b>Cost or valuation</b>					
At start of year	170,532	25,730	242,473	30,827	469,562
Additions	6,054	7,462	10,517	8,160	32,193
Disposals	-	(11,442)	-	-	(11,442)
At end of year	176,586	21,750	252,990	38,987	490,313
<b>Depreciation</b>					
At start of year	2,856	20,904	111,173	17,121	152,054
Charge for the year	5,605	3,747	35,202	8,683	53,237
Disposals	-	(11,438)	-	-	(11,438)
Impairment charge	-	-	16,017	-	16,017
At end of year	8,461	13,213	162,392	25,804	209,870
<b>Net book value</b>					
Long-term insurance business	-	5,597	8,417	6,180	20,194
General insurance business	168,125	2,940	82,181	7,003	260,249
At 31 December 2000	168,125	8,537	90,598	13,183	280,443
At 31 December 1999	167,676	4,825	131,301	13,706	317,508

Notes forming part of the Financial Statements (Continued)



## Notes forming part of the Financial Statements (continued)

### 11. Property, plant and equipment (continued)

b) Company	Motor	Furniture,	Computer	Total
	vehicles	fittings and equipment	equipment	
	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cost or valuation</b>				
At start of year	18,828	175,904	29,883	224,615
Additions	7,462	3,207	7,875	18,544
Disposals	(10,530)	-	-	(10,530)
At end of year	15,760	179,111	37,758	232,629
<b>Depreciation</b>				
At start of year	15,762	103,346	16,606	135,714
Charge for the year	3,308	23,684	8,469	35,461
Disposals	(10,530)	-	-	(10,530)
Impairment charge	-	16,017	-	16,017
At end of year	8,540	143,047	25,075	176,662
<b>Net book value</b>				
Long-term insurance business	5,596	8,418	6,180	20,194
General insurance business	1,624	27,646	6,503	35,773
At 31 December 2000	7,220	36,064	12,683	55,967
At 31 December 1999	3,066	72,558	13,278	88,902

- c) The impairment charge on equipment of Shs 16,017,000 in 2000 relates to an air conditioning equipment and related ducting in one of the investment properties.
- d) The valuation of land and buildings, plant and equipment in the subsidiary companies was last carried out by Lloyd Masika Limited, professional independent valuers as at 30 June 1999. The basis of valuation was open market value for existing use. The revaluation net of deferred tax was credited to non-distributable reserves (Note 26).
- e) No depreciation has been charged in arriving at the results for the year in respect of certain plant and equipment with a gross value of Shs 102,201,000 (1999: Shs 29,955,000), 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 13,814,000 (1999: Shs 5,660,000).
- f) If investment property, plant and equipment were stated on the historical cost basis, the group amounts would be as follows::

	2000	1999
	Shs'000	Shs'000
Cost	222,350	214,336
Accumulated depreciation	(176,662)	(135,713)
Net book amount	45,688	78,623

## Notes forming part of the Financial Statements (continued)

### 12 Investment properties (Group and Company)

	Long-term insurance business Shs'000	General insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
At start of year	652,500	579,527	1,232,027	1,028,527
Revaluation (deficit)/surplus	(25,000)	(10,000)	(35,000)	203,500
Additions	19,875	-	19,875	-
At end of year	647,375	569,527	1,216,902	1,232,027

The revaluation of investment properties was last carried out by Lloyd Masika Limited, professional independent valuers as at 31 December 2000. The basis of valuation was open market value for existing use. The deficit arising from the revaluation has been offset against investment income for long-term insurance business (Note 5 (b)) and debited to the non-distributable reserves in respect of general insurance business (Note 26).

### 13 Government securities (Group and Company)

	Long-term insurance business Shs'000	General insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
Treasury bills and bonds:				
Maturing within 90 days of the date of acquisition	39,200	12,600	51,800	59,793
Maturing after 90 days of the date of acquisition	88,200	53,050	141,250	167,807
	127,400	65,650	193,050	227,600

### 14 Quoted ordinary shares (Group and Company)

At start of year	14,106	20,999	35,105	63,095
Additions	-	945	945	1,462
Disposals	-	-	-	(16,771)
Revaluation surplus	25,400	5,076	30,476	(12,682)
At end of year	39,506	27,020	66,526	35,105

The ordinary shares are revalued annually at the close of business on 31 December by reference to the Nairobi Stock Exchange quoted prices. The market value approximates to the fair value.



*Notes* forming part of the Financial Statements (continued)

14. Quoted ordinary shares (Group and Company) (continued)

The surplus arising from the revaluation of the shares has been included in investment income in respect of long-term insurance business (Note 5 (b)) and credited to the non-distributable reserves in respect of general insurance business (Note 26).

15 Unquoted ordinary shares

These relate to general insurance business and the movements during the year have been as follows:

	2000 Shs'000	1999 Shs'000
a) Group		
At start of year	67,793	69,793
Addition:		
Investment in the shares of East Africa Reinsurance Company Limited	4,248	-
Less:		
Diminution in value of investment in Kenya Funds Management	-	(2,000)
At end of year	<u>72,041</u>	<u>67,793</u>

Notes forming part of the Financial Statements (Continued)



**Notes forming part of the Financial Statements (continued)**

15	<b>Unquoted ordinary shares (continued)</b>		
		2000	1999
		Shs'000	Shs'000
b)	<b>Company</b>		
	At start of year	161,226	110,626
	Addition:		
	Investment in the shares of East Africa Reinsurance Company Limited	4,248	-
	Investment in the shares of Mae Properties Limited	-	52,600
	Less:		
	Diminution in value of investment in Kenya Funds Management	-	(2,000)
		165,474	161,226
	At end of year	165,474	161,226
	Comprising:		
	Investment in subsidiary companies	93,433	93,433
	Other unquoted investments	72,041	67,793
		165,474	161,226

c) The details of the subsidiary companies, all of which are incorporated in Kenya, are as follows:

Name of subsidiary	Shareholding	Principal activity
Mae Properties Limited	100%	Development and sale of plots
Runda Water Limited*	100%	Water distribution
Chem Chemi Mineral Water Limited*	100%	Water purification and distribution

\* These are sub-subsidiaries of Pan Africa Insurance Company Limited, being wholly-owned subsidiaries of Mae Properties Limited.

16	<b>Investment in associated company (Group and Company)</b>		
		2000	1999
		Shs'000	Shs'000
	At start of year	18,877	17,410
	Share of result before tax	8,486	2,095
	Share of tax (Note 8)	(2,282)	(628)
	At end of year	25,081	18,877

The share of the results of the associated company, Reliance Insurance Company (Tanzania) Limited, is based on audited management accounts for the year ended 31 December 2000, as adjusted for the impact of the audit of the prior year financial statements. The company, in which Pan Africa Insurance Company Limited has a 30 % interest, is incorporated in Tanzania and conducts general insurance business.



Notes forming part of the Financial Statements (continued)

17. Non-current receivables (Group)

	2000 Shs'000	1999 Shs'000
Total plot debtors	38,513	58,814
Less: Current portion (Note 22)	(9,628)	(25,547)
Non-current portion	28,885	33,267

18. Mortgage loans (Group and Company)

	Long-term insurance business Shs'000	General insurance business and Shareholders' funds Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
At start of year	-	111,521	111,521	124,972
Loans made	-	14,317	14,317	38,059
Intra-company transfer	41,627	(41,627)	-	-
Loan repayments	-	(11,205)	(11,205)	(51,510)
At end of year	41,627	73,006	114,633	111,521

The intra company transfer of Shs.41,627,000 has arisen out of the need to accurately align assets between the two classes of business in preparation for the impending restructuring of the company.

	2000 Shs'000	1999 Shs'000
Amounts approved by the directors but not advanced as at 31 December	20,000	3,832

19. Policy loans (Group and Company)

	2000 Shs'000	1999 Shs'000
At start of year	62,809	63,459
Loans made	31,563	21,126
Loan repayments	(23,189)	(21,776)
At end of year	71,183	62,809

Notes forming part of the Financial Statements (Continued)



## Notes forming part of the Financial Statements (continued)

### 20. Land and development (Group)

	2000 Shs'000	1999 Shs'000
At start of year	304,489	226,971
Release on sale of plots	(87,753)	(27,161)
Revaluation surplus (Note 26(a))	-	104,679
At end of year	216,736	304,489

Land and development, owned by a subsidiary company, was last revalued by Lloyd Masika Limited, independent valuers at 30 June 1999 on the open market value basis. The revaluation surplus arising was credited to the non-distributable reserves, net of related deferred tax (Note 26(a)).

### 21. Bank balances, deposits and cash

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Cash at bank and in hand	51,914	15,335	47,430	13,185
Short term bank deposits	523,260	62,160	523,260	62,160
	575,174	77,495	570,690	75,345
Comprising:				
Long-term insurance business	503,034	50,950	503,034	50,950
General insurance business	72,140	26,545	67,656	24,394

For the purposes of the general insurance business cash flow statement, the year-end cash and cash equivalents comprise the following :

	Group		Company	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Cash and bank balances	72,140	26,545	67,656	24,394
Bank overdraft (Note 31)	(24,333)	(20,896)	(23,352)	(10,894)
	47,807	5,649	44,304	13,500

### 22. Other receivables

#### (a) Group

	Long-term insurance business Shs'000	General insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
	Rent outstanding	34,716	7,100	41,816
Accrued interest	11,176	2,247	13,423	3,717
Plot debtors (Note 17)	-	9,628	9,628	25,547
Trade debtors	31,078	9,808	40,886	97,025
	76,970	28,783	105,753	174,624



Notes forming part of the Financial Statements (continued)

22. Other receivables (continued)  
 (b) Company

	Long-term insurance business Shs'000	General Insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
Rent outstanding	34,716	7,100	41,816	48,335
Accrued interest	11,176	2,247	13,423	3,717
Due from subsidiary company	-	18,446	18,446	-
Trade debtors	31,078	672	31,750	86,167
	76,970	28,465	105,435	138,219

23. Stocks (Group)

	2000 Shs'000	1999 Shs'000
Coffee stock (at net realisable value)	1,915	1,432

24. Deferred development costs (Group)

	2000 Shs'000	1999 Shs'000
At start of year	40,557	41,676
Expenditure during the year	4,876	-
Release to profit and loss account in respect of plots sold	(4,232)	(1,119)
At end of year	41,201	40,557

25. Share capital

	Number of shares (Thousands )	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 January 1999	13,000	65,000	-
Bonus issue	11,000	55,000	-
Balance at 1 January 2000	24,000	120,000	-
Rights issue	24,000	120,000	364,431
Balance at 31 December 2000	48,000	240,000	364,431

The total authorised number of ordinary shares is 100,000,000 with a par value of Shs 5 per share. The total number of ordinary shares in issue are 48,000,000 with a par value of Shs 5 per share.

On 16 February 2000, a rights issue of one share for every one share held was made at a price of Shs 21.50 per share. A total of 24,000,000 shares were issued.

The net proceeds from the rights issue was Shs 484,431,000, after deducting issue expenses amounting to Shs 31,569,000, hence share premium arising of Shs 364,431,000.



*N*otes forming part of the Financial Statements (continued)

Notes forming part of the Financial Statements (Continued)

26. Non-distributable reserves	2000	1999
	Shs'000	Shs'000
<b>a) Group</b>		
At start of year	889,220	628,765
(Deficit)/surplus arising from revaluation of:		
Investment properties (Note 12)	(10,000)	146,000
Quoted ordinary shares (Note 14)	5,076	(7,088)
Property, plant and equipment	-	105,058
Land and development (Note 20)	-	104,679
Release on sale of plots	(87,792)	(27,161)
Deferred tax effect of reserves released on sale of plots	26,320	8,820
Transfer of excess depreciation	(2,475)	-
Deferred tax effect on revaluation of property, plant and equipment, and land and development	-	(67,853)
Investment in Kenya Funds Management (Note 15)	-	(2,000)
At end of year	820,349	889,220
<b>b) Company</b>		
At start of year	540,061	403,149
(Deficit) / surplus arising from revaluation of:		
Investment in Kenya Funds Management (Note 15)	-	(2,000)
Investment properties (Note 12)	(10,000)	146,000
Quoted ordinary shares (Note 14)	5,076	(7,088)
At end of year	535,137	540,061



## Notes forming part of the Financial Statements (continued)

### 27. Life and general funds (Group and Company)

#### a) Statutory Fund

	Individual Life Shs'000	Super annuation Shs'000	As restated	
			Total 2000 Shs'000	Total 1999 Shs'000
At start of year- as restated	639,608	71,247	710,855	574,762
Transfer from the general fund	97,500	2,500	100,000	100,000
Increase in funds during year	21,394	10,318	31,712	36,093
	118,894	12,818	131,712	136,093
At end of year	758,502	84,065	842,567	710,855

The statutory funds, which comprise the Individual life fund and Superannuation fund were established in 1990 by the company in respect of its long-term insurance business as required under Section 45 of the Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of those funds.

The latest actuarial valuation of the life fund was carried out by the consulting actuaries as at 31 December 2000. The actuaries did not recommend any transfer from the life fund to the profit and loss account. In the 1999 actuarial report, the actuaries recommended a transfer of Shs 100 million from the general fund to the Statutory funds, and this was effected by way of an allocation of Shs 97.5 million to the individual Life fund and Shs.2.5 million to the Superannuation fund, during the financial year ended 31st December 2000.

#### b) General Fund

The general fund represents a reserve maintained within the long-term insurance business, and represents unallocated surpluses from previous actuarial valuations. Transfers from the general fund to the statutory funds and the profit and loss account are made on the recommendation of the actuaries.

### 28 Prior year adjustments - Long-term insurance business

In order to align the accounting policies with those of the major shareholder, the company has changed its accounting policy during the year with respect to ordinary life recurring premium income. In previous years, such premium income was accounted for on a receipt basis (i.e. from the month in which the first premium on the policy was paid). The full annual premium of recurring individual policy is now recognised on policy anniversary dates, with provision being made for policy lapses and other terminations.

The change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard 8, which addresses changes in accounting policies, among others. The comparative results for the year ended 31 December 1999 have been restated to conform with the policy. Commission and premium collection costs, which are accounted for at the same time as the recognition of premium income, have also been restated. The net surplus has been transferred to the life fund. None of these adjustments have any effect on reported earnings and tax.

Notes forming part of the Financial Statements (Continued)



Notes forming part of the Financial Statements (continued)

Notes forming part of the Financial Statements (Continued)

28	Prior year adjustments - Long-term insurance business (continued)	As restated	
		2000	1999
		Shs'000	Shs'000
	The net effect of the above adjustment in the current year is as follows:		
	Increase in premium income	1,030	4,583
	Increase in agents commissions	(106)	(844)
	Increase in management expenses	(77)	(343)
	Increase in individual life funds	847	3,396
	Increase in current assets	1,030	4,583
	Increase in current liabilities	(183)	(1,187)
		847	3,396

29. Deferred tax

Deferred tax is calculated, in full, on all temporary differences using a principal tax rate of 30% (1999: 30%).

The movement on the deferred tax account is as follows :

	Group		Company	
	2000	1999	2000	1999
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	152,440	97,185	(5,757)	(3,300)
Profit and loss account (Note 8)	1,508	(4,089)	3,034	(2,457)
Revaluation reserve movements :				
Deferred tax effect on revaluations (Note 26)	-	68,164	-	-
Release in respect of plots sold (Note 26)	(26,320)	(8,820)	-	-
Deferred tax on transfer of excess depreciation	(1,974)	-	-	-
At end of year	125,654	152,440	(2,723)	(5,757)

The group had a potential deferred tax asset amounting to Shs.12,889,000 as at 31 December 2000 in respect of taxable losses. In the opinion of the directors, there may be no sufficient taxable profits against which the asset may be offset in the foreseeable future.



## Notes forming part of the Financial Statements (continued)

### 29. Deferred tax (continued)

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 :

#### a) Group

	1.1.2000 Shs'000	Charged/ (Credited) to P&L Shs'000	Charged (Credited) to equity Shs'000	31.12.2000 Shs'000
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	14,515	(412)	-	14,103
Property revaluations -: - Land and development	68,291	-	(26,320)	41,971
Property, plant and equipment	64,148	(1,907)	(1,974)	60,267
Deferred development costs	12,167	193	-	12,360
	159,121	(2,126)	(28,294)	128,701
<b>Deferred tax assets</b>				
Accelerated accounting depreciation	(4,935)	2,212	-	(2,723)
Provisions	(1,746)	1,563	-	(183)
Tax losses	-	(141)	-	(141)
	(6,681)	3,634	-	(3,047)
Net deferred tax liability	152,440	1,508	(28,294)	125,654

#### b). Company

	1.1.2000 Shs'000	Charged to P&L Shs'000	31.12.2000 Shs'000
<b>Deferred tax assets</b>			
Accelerated accounting depreciation	(4,934)	2,211	(2,723)
Provisions	(822)	822	-
Net deferred tax asset	(5,756)	3,033	(2,723)

Notes forming part of the Financial Statements (continued)

Notes forming part of the Financial Statements (Continued)

30. Other payables

(a) Group

	Long-term insurance business Shs'000	General insurance business Shs'000	Total 2000 Shs'000	Total 1999 Shs'000
Rent creditors	6,954	9,260	16,214	12,155
Deposits received in advance	-	9,030	9,030	26,533
Accrued leave pay	-	-	-	5,820
Pan Africa Insurance Charitable Trust	7,105	-	7,105	8,660
Other creditors and accruals	32,672	55,388	88,060	87,070
	46,731	73,678	120,409	140,238

(b) Company

Rent creditors	6,954	9,260	16,214	12,155
Accrued leave pay	-	-	-	2,739
Pan Africa Insurance Charitable Trust	7,105	-	7,105	8,660
Other creditors and accruals	32,672	43,062	75,734	92,397
	46,731	52,322	99,053	115,951

31. Borrowings (Group and Company)

The company's overdraft facilities are 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 company, Mae Properties Limited.

32. Fair values and effective interest rates

In the opinion of the directors, the fair values of financial assets approximate their carrying amounts. The following table summarises weighted average effective interest rates for the principal financial assets at the year end:

	2000 %	1999 %
Deposits with financial institutions	11.50	14
Government securities	12.20	16
Short term bank deposits	9.70	10
Mortgage loans	7	8
Borrowings	23	26
Policy loans	14	14



Notes forming part of the Financial Statements (continued)

33. Commitments

Capital commitments

There were no capital commitments contracted but not recognized in the financial statements at the balance sheet date.

Operating lease commitments

The future minimum lease payments under non- cancellable operating leases are as follows:

	2000 Shs'000	1999 Shs'000
Not later than 1 year	3,414	4,250

34. Contingencies

At 31 December 2000, the group had contingent liabilities in respect of bank guarantees amounting to Shs. 1,355,209 arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

35. Related party transactions

The company has various related parties by virtue of common shareholdings and/or common directorships, which principally include the directors and those companies in which they have a beneficial interest. A list of the principal shareholders is set out on page 53. Other related parties include senior members of staff of the group companies.

The following are transactions carried out with related parties during the year, together with the associated balances at the year end:

i) Mortgage loans to directors

	1.1.2000 Shs'000	Additions Shs'000	Repayments Shs'000	31.12.2000 Shs'000
<b>i) Loans at concessionary rates</b>				
Principal amount	31,356	2,919	(2,780)	31,495
Interest on loans	377	1,980	(2,032)	325
	<u>31,733</u>	<u>4,899</u>	<u>(4,812)</u>	<u>31,820</u>
<b>ii) Loans at commercial rates</b>				
Principal amount	4,611	-	(1,911)	2,700
	<u>4,611</u>	<u>-</u>	<u>(1,911)</u>	<u>2,700</u>
<b>Total mortgage loans to directors</b>	<u>36,344</u>	<u>4,899</u>	<u>(6,723)</u>	<u>34,520</u>



Notes forming part of the Financial Statements (continued)

35. Related party transactions (continued)

b) Mortgage loans to related companies	1.1.2000 Shs'000	Additions Shs'000	Repayments Shs'000	31.12.2000 Shs'000
<b>i) Loans at concessionary rates</b>				
Principal amount	13,509	-	(481)	13,028
Interest on loans	210	872	(1,050)	(32)
	13,719	872	(1,531)	13,060
<b>ii) Loans at commercial rates</b>				
Principal amount	15,402	-	(663)	14,739
Interest on loans	152	3,216	(3,030)	338
	15,554	3,216	(3,693)	15,077
<b>Total mortgage loans to related parties companies</b>	<b>29,273</b>	<b>4,088</b>	<b>(5,224)</b>	<b>28,137</b>

b) Premium and rental debtors	1.1.2000 Shs'000	Additions Shs'000	Repayments Shs'000	31.12.2000 Shs'000
<b>(i) Directors</b>				
Premium debtors	191	363	(87)	467
<b>(ii) Related companies</b>				
Premium debtors	10,526	6,565	(6,046)	11,045
Rental debtors	3,420	879	-	4,299
	13,946	7,444	(6,046)	15,344
<b>Total premium and rental debtors</b>	<b>14,137</b>	<b>7,807</b>	<b>(6,133)</b>	<b>15,811</b>

Included in bad debt expense, is an amount of Shs.1,341,108 due from related parties in respect of outstanding insurance premium deemed not collectable.



## Notes forming part of the Financial Statements (continued)

### 35. Related party transactions (continued)

General insurance policies taken out by directors are in the ordinary course of business but at concessionary rates. Transactions in relation to property rentals are at arm's length and in the ordinary course of business at terms and conditions similar to those offered to other tenants.

c) The insurance transactions with other related parties arise from the following transactions:

	2000 Shs'000	1999 Shs'000
i) Net premiums ceded / (receivable)		
East Africa Reinsurance Company Limited	1,050	2,852
Reliance Insurance Company Tanzania Limited	(1,147)	(503)
	(97)	2,349
ii) Claims recoverable		
East Africa Reinsurance Company Limited	-	2,123

#### iii) Outstanding balances

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

	2000 Shs'000	1999 Shs'000
East Africa Reinsurance Company Limited	1,512	(3,613)
Reliance Insurance Company Tanzania Limited	(1,205)	503

i) Loans to officers of the group companies	1.1.2000	Additions	Repayments	31.12.2000
	Shs'000	Shs'000	Shs'000	Shs'000
Mortgage loan (principal amount)	23,729	5,109	(4,012)	24,826
Interest on mortgage loans	40	1,478	(1,518)	-
Car loans	4,353	490	(1,486)	3,357
	28,122	7,077	(7,016)	28,183

The loans to officers of the group are at concessionary rates in accordance to the terms and conditions of employment.

#### ) Expenses incurred on behalf of related parties

In the course of the year, various items of expenditure have been paid for by the company which will be recovered from African Life Assurance Company Limited. In addition, certain expenditures of the company have been met by African Life Assurance Company Limited which will be reimbursed by the company to them. The cumulative effect of these transactions at 31 December 2000 are:

	2000 Shs'000	1999 Shs'000
Receivable from African Life Assurance Company Limited	1,937	-
Payable to African Life Assurance Company Limited	(3,190)	-
	(1,253)	-

*P* PRINCIPAL SHAREHOLDERS AS AT 31 MARCH 2001

Principal Shareholders

	Number of shares	% Shareholding
Hubris Holdings Limited	22,119,653	46.08
Thammo Holdings Limited	3,380,652	7.04
Kanchar Kenya Limited	3,190,301	6.65
Co-op Trust Investment Services Limited -account no.11450	2,997,768	6.25
Nak Enterprises Limited	1,767,255	3.68
Co-op Trust Investment Services Limited -account no.11451	899,977	1.87
Stanbic Nominees (Kenya) Limited	630,000	1.31
Kenya Reinsurance Corporation Limited	620,440	1.29
Githere Investments Limited	451,284	0.94
Financial Futures Limited	430,855	0.90
Balkan Properties Limited	394,984	0.82
Cannon Assurance (Kenya) Limited	262,962	0.55
M/s Parpia Sherali Gulamhussein	207,291	0.43
Mr.J.R.Githere	188,561	0.39
Ositum Investments Limited	177,174	0.37
M/s Jemimah W Mbugua	154,240	0.32
	<hr/>	<hr/>
	37,873,397	78.90
	<hr/>	<hr/>
Number of issued shares	48,000,000	



## CORPORATE INFORMATION

### Head Office/Registered Office

Pan Africa House  
Kenyatta Avenue  
P. O. Box 62551  
Tel. 339544-9  
Fax 217675  
Nairobi  
E-mail: insure@pan.africa.com.

### Subsidiary Companies

Mae Properties Limited  
Runda Water Limited  
Chem Chemi Mineral Water Limited  
P. O. Box 21866  
Tel: 520661  
Fax: 520516  
Nairobi

### Associated Company

Reliance Insurance Company  
Tanzania Limited  
Osman Tower  
3, Zanaki Street  
P. O. Box 9826  
Dar-es-salaam

### Consulting Actuaries

Wymans Robertson Kenya Limited  
Nation Centre  
P. O. Box 52439  
Nairobi

### Auditors

PricewaterhouseCoopers  
The Rahimtulla Tower  
P. O. Box 43963  
Nairobi

### Bankers

Commercial Bank of Africa Limited  
Equity Bank of Kenya Limited  
Standard Chartered Bank (K) Limited  
Credito Agricole Indosuez  
Co-operative Bank of Kenya Limited  
Bank of Baroda

### Tanzania

National Micro-finance Bank Limited  
Bank House Branch  
P. O. Box 9031  
Dar-es-salaam

### Shareholders calendar

Financial year end  
Announcement of results  
Annual report posted on or about  
Annual General Meeting

### Branch Offices

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

### Hurlingham office

Pan Africa Arcade  
P. O. Box 30065  
Tel: 710792/721487  
Nairobi

### City Centre office

Pan Africa House  
Kenyatta Avenue  
P. O. Box 30065  
Tel: 339544-9  
Nairobi

### Kisumu office

Al-Imran Plaza  
Oginga Odinga Road  
P. O. Box 1884  
Fax: 22716  
Kisumu

### Nyeri office

NDCU House  
P. O. Box 618  
Tel: 2073  
Fax: 4720  
Nyeri

### Meru office

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

### Kisii office

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

### Eldoret office

KVDA Plaza  
Oloo/Utalii Streets  
P. O. Box 596  
Fax: 62680  
Eldoret

### Unit offices

Chuka unit  
Messaco Building  
P. O. Box 118  
Tel: (0166)30312  
Chuka

### Embu unit

Mugo Gatungo Building  
Kenyatta Highway  
P. O. Box 1804  
Tel: (0161)30039  
Embu

### Nakuru unit

Plutos Building  
Kenyatta Avenue  
P. O. Box 15163  
Tel: (037) 41643/91  
Nakuru

### Kakamega unit

Ambwera Complex  
P. O. Box 707  
Tel: (0331) 30710  
Kakamega

31 December  
26 April 2001  
28 May 2001  
21 June 2001

