

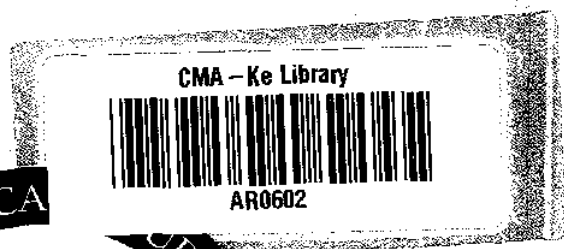
At Pan Africa Insurance
Company Limited...

...we not only understand life,
we have a sense for life.

With policies that suit your own
special requirements

and a history of steady investment returns,
we definitely make a difference.

Yes we create ...



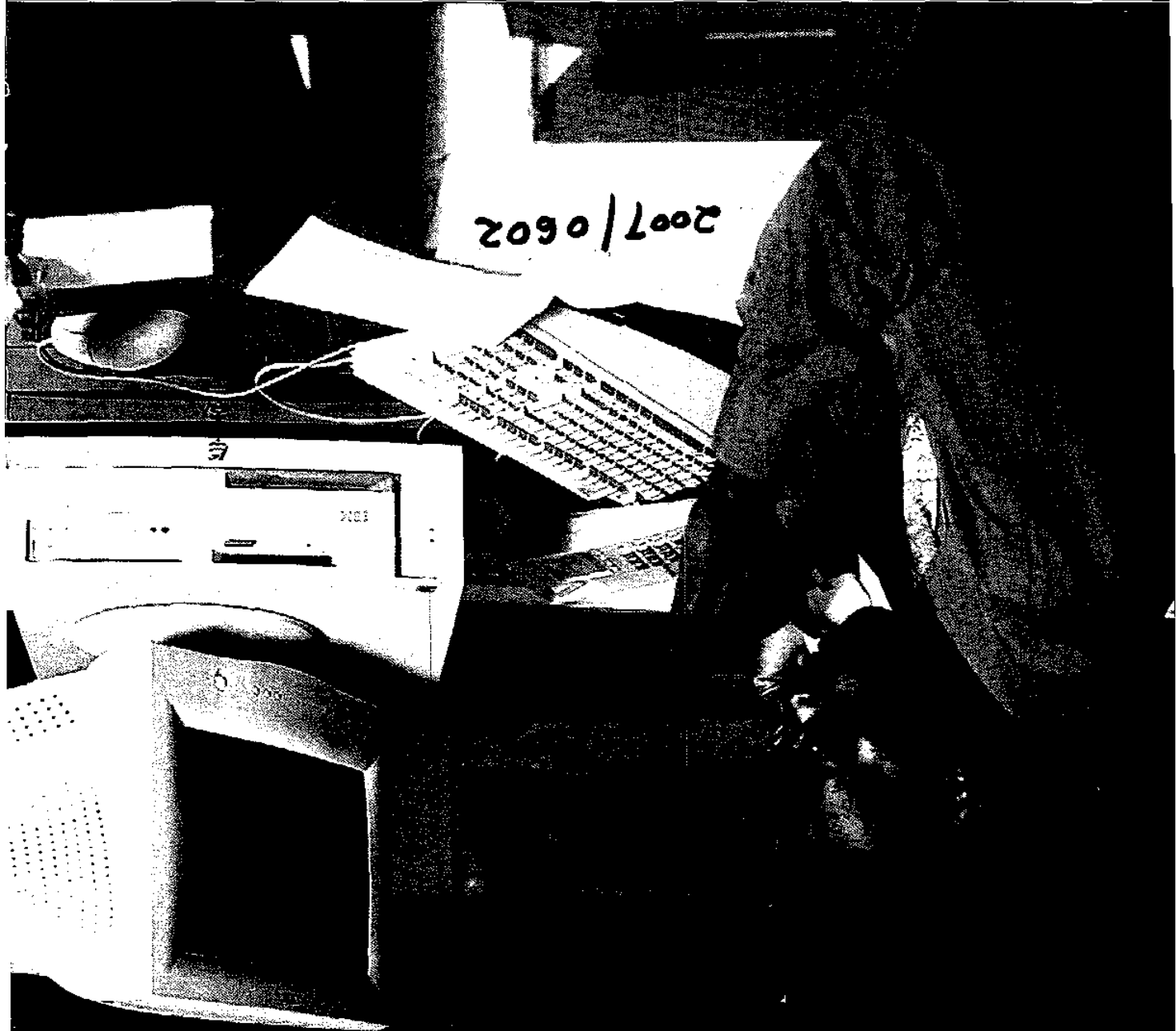
... a brighter future in people's lives.

Pan Africa Insurance Company Limited

"all the assurance you need"



"all the assurance you need"



"General
business operations changes underwriting philosophy"

Pan Africa Insurance Company Limited
is a member of the Pan Africa Group
of companies

Contents

05	Five year group review
06	Board of directors
08	Our management team
10	Chairman's report
13	Taarifa ya mwenyekiti
16	Notice of the annual general meeting
17	Ilani ya mkutano mkuu wa mwaka
18	Corporate governance
20	Report of the directors
21	Report of the auditors
21	Report of the consulting actuary
22	Profit and loss accounts
23	Long - term insurance business revenue accounts
24	General insurance business revenue accounts
25	Consolidated balance sheet
27	Company balance sheet
29	Consolidated statement of changes in equity
30	Company statement of changes in equity
31	General insurance business cash flow statement
32	Principal accounting policies
35	Notes forming part of the financial statements
51	Administration
52	Corporate information
53	Top twenty shareholders
55	Proxy form/Fomu ya uwakilishi

"General
business operations

loss making lines of business discontinued"

"Life operations
have grown significantly".

"Policyholders will have noticed
a considerable increase in standards and quality
of service delivery"



05 - FIVE YEAR GROUP REVIEW

	2001	2000	1999	1998	1997
Profit and loss accounts					
	Shs. millions	Shs. millions	Shs. millions	Shs. millions	Shs. millions
Investment Income	30	59	78	92	74
Pre-tax (loss)/profit	(158)	(54)	56	126	106
(Loss)/profit attributable to shareholders	(152)	(65)	30	73	64
Proposed Dividends	-	-	12	22	22
Long term insurance business					
Gross premium income	473	245	228	184	151
Net premium income	434	243	218	176	142
Investment income	79	112	104	59	56
Policy-holder benefits paid	155	116	96	62	66
Management expenses	132	114	75	101	92
Life fund	1,113	866	834	771	733
General insurance business					
Gross premium income	593	563	536	524	529
Net premium income	310	329	349	313	292
Claims incurred	195	206	256	165	184
Claims paid	176	223	198	161	141
Management expenses	134	110	110	84	70
Underwriting (loss)/profit	(106)	(113)	(28)	-	(5)
Balance sheet					
Shareholders' funds	860	1,550	1,207	954	711
Share capital	+ 240	240	120	65	65
Total assets	2,978	3,886	3,061	2,651	2,520
Key ratios					
Basic (loss)/earnings per share (Kshs)	(3.17)	(1.46)	1.17	5.30	4.96
Dividend per share (Kshs)	-	-	0.50	1.75	1.75
Dividend cover (times)	-	-	2.30	3.10	2.80
Market capitalization at year end	628.8	528.0	648.0	325.0	542.7
Company share prices at the NSE					
High (Kshs)	14.00	27.00	55.00	55.00	55.00
Low (Kshs)	10.00	11.00	25.00	23.00	23.00
Share price at year end (Kshs)	13.10	11.00	27	25	41.75

"The formal separation of the Company's long term insurance business and general insurance business will **create focus** and facilitate management specialization with resultant improvement in **productivity, efficiency** and **customer service**"



JPN Simba LLB

- (Chairman)
- Appointed to the board on 7/12/2001
- Appointed Chairman on 11/03/2002
- Partner, Simba and Simba Advocates

JA Burbridge
FCA, CA/ISA, FCPA (Bots)

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

WA Jack
FCII, FISA

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

the

board

JM Kituri BA

- Appointed to the board on 1/7/1994
- Area Manager - Eastern Africa Region, Entetrek Testing Services

Caleb Brett

of

directors

D Lacey
BCOM(Hons), MBL, FCII, FISA

- Chief Executive (alternate director to J.A. Burbridge)

- Appointed on 29/9/2000

- Assistant General Manager - International Operations, African Life Assurance Company Limited

- Director - Reliance Insurance Company (Tanzania) Limited
- Director - East Africa Reinsurance Company Limited

AD Greenwood
CA/ISA, ACA (Aus)

- Executive Director - Life
- Appointed to the board on 7/12/2000
- Director - Reliance Insurance Company (Tanzania) Limited
- Alternate Director - East Africa Reinsurance Company Limited

JN Gicoho
B.Arch, MAAKIA

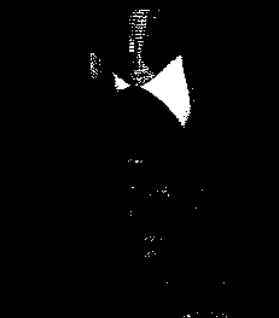
- Registered Architect
- Appointed to the board on 7/12/2001
- Director - Triad Architects

BC Patel

- Appointed to the board on 6/7/2001
- Managing Director - Transworld Safaris Kenya Limited

A Van Heerden
Bacc (Hons), CA (SA)

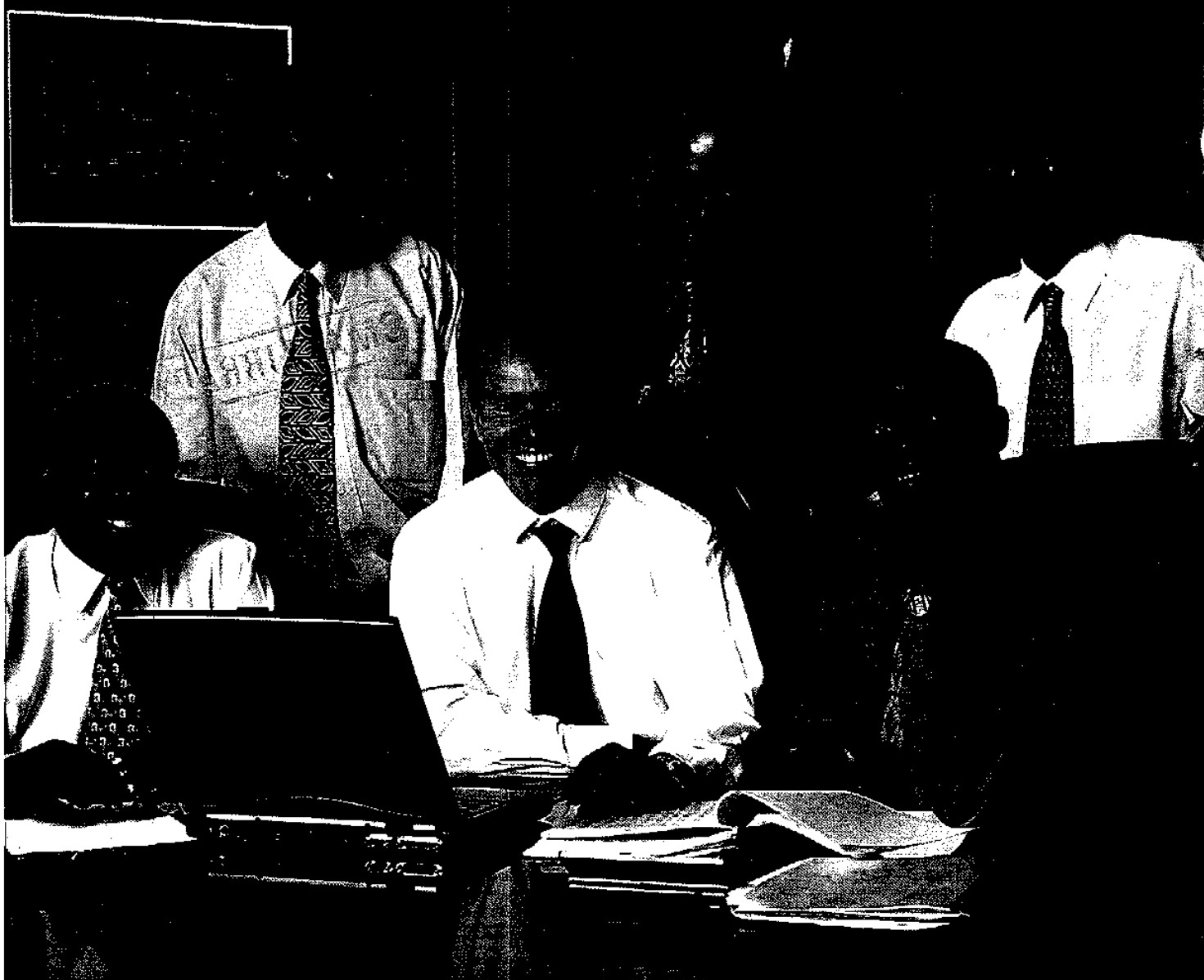
- Appointed to the board on 30/8/2001
- Executive Director - Finance - African Life Assurance Company Limited
- Director of a number of African Life Group Companies



JP/N Simba - Chairman

"The success of any organisation depends on the performance of the staff who are, needless to say, the most important asset of the Company"





Life Insurance Division

Seated from left:

JM Muiruri *BSc(Hons), ACII*

AD Greenwood *CA(SA), ACA(Aus)*

G Kioi *BSc(Hons), MBA, CPA(K), CPS(K)*

- General Manager - Life
- Executive Director - Life
- General Manager - Finance & Investment

Standing from left:

W Ngari *BSc(Hons), ACII*

G J Richter *BA, BA(Hons) Biok*

RK Murithi

- Training Manager
- National Sales Manager
- Divisional Manager - Individual Life

the Management

3

Corporate Division

Standing from left:

G Kioi *BSc(Hons), MBA, CPA(K), CPS(K)*

AO Omita *BSc, MBA*

Seated:

JW Murengi *BCOM (Hons)*

- Company Secretary
- Human Resources / Public Relations Manager
- Internal Audit Manager



3

Team

General Insurance Division

- D Lacey (not in picture) - BCOM (Hons), MBL, FCI, FIISA
- Chief Executive
- AN Ngetha BCOM, ACII - GN Ngeure BCOM (Hons)
- Reinsurance Manager
- Chief Accountant
- Shirahya Isaya BSc
- AN Ngetha BCOM, ACII
- PV Ndegwa (Miss) BA, ACII
- A Macharia BSc
- BN Ambuya (Miss) LLB
- KM Kimani ACII
- PV Wokabi (Mrs) BA
- Underwriting Manager
- General Manager
- Claims Manager
- Information Technology Manager
- Marketing Manager



2

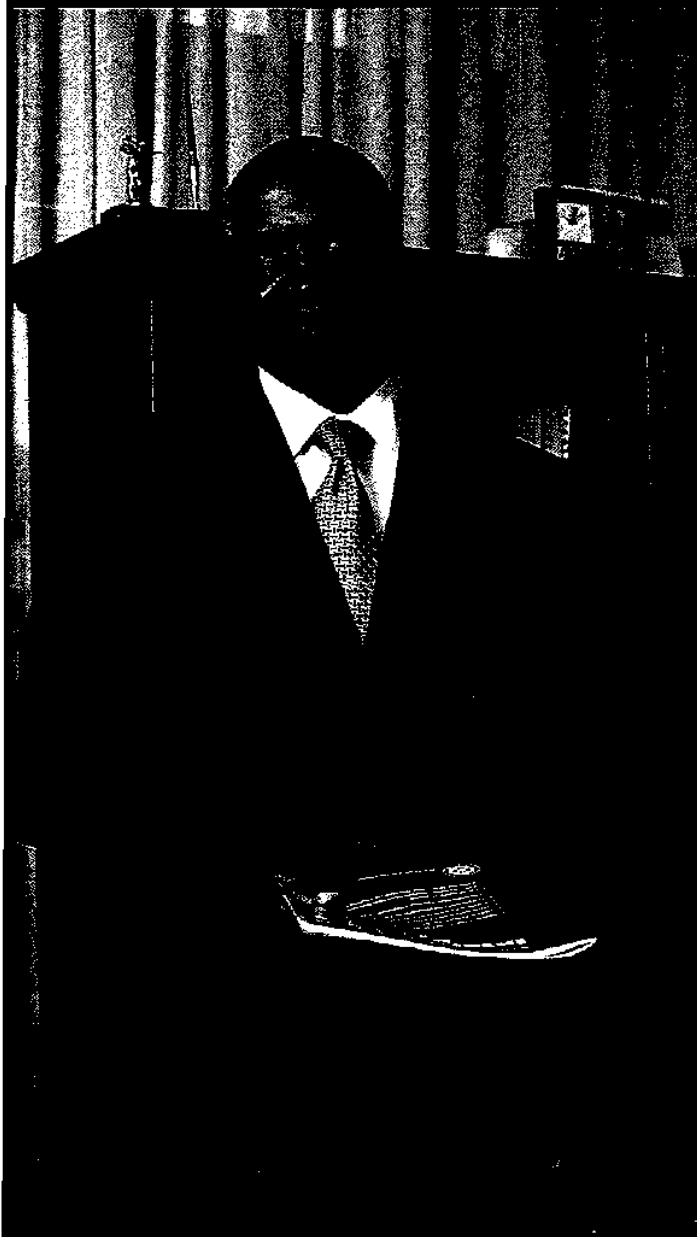


10 - CHAIRMAN'S REPORT

Shareholders, Ladies and Gentlemen.

It gives me great pleasure to present our year 2001 audited group results.

JPN Simba - Chairman



1 ECONOMIC ENVIRONMENT

Domestic economic conditions remained difficult during the year. Real GDP expanded by 0.8% compared to a 0.3% decline in the previous year.

The marginal improvement in the economy is attributed to favourable agricultural production arising out of improved weather conditions, increased earnings from tourism, heavy investment in mobile phone services and improved power supply.

This trend is expected to continue into year 2002 but at a slower pace than earlier envisaged. Real GDP in 2002 is projected to grow by 1.4% against the 3.2% originally expected.

The reduced expected growth is a result of high cost of production in the manufacturing sector, general slow down in the global economy following the September 11, 2001 terrorist attacks in the USA, fluctuation in crude oil prices and the persistent low investor confidence on account of delayed restoration of donor and other financial support, as well as uncertainties characterising the constitution review and the run up to the General Elections.

Treasury Bill rates reached a peak of 15% in March but fell to a low of 11% in December as a result of increased market liquidity. Whilst we welcome the introduction of long term Government securities which allows us to better manage our longer term liabilities to policyholders, we remain concerned over the current uncertainty in the Banking Industry due to the Central Bank (Amendment) Act 2000.

2 RESTRUCTURING OF THE BOARD

Arising out of certain transactions detected in the subsidiaries of the Company, a number of Directors resigned from the Board to enable full investigation to take place. This led to restructuring of the Board and appointment of the following Directors:-

- Mr JM Kituri - re-appointed on 6th July 2001
- Mr BC Patel - appointed on 6th July 2001
- Mr JPN Simba - appointed on 7th December 2001
- Mr JN Gitoh - appointed on 7th December 2001

In addition Mr A Van Heerden was appointed a full member of the Board on 30th August 2001.

I take this opportunity to welcome my colleagues to the Board.



"Long term insurance business gross premium income
up by 92%"

3 RESTRUCTURING OF THE COMPANY

As reported in 2000 the company is in the process of being restructured. The exercise once completed will result in the formal separation of the Company's Long Term Insurance business and General Insurance business to be managed as separate legal entities. Whilst we envisaged concluding this exercise by 1 July 2001 this was not possible due to certain technicalities and the investigations mentioned under point 2 above.

The separation will create more focus and facilitate management specialisation with resultant improvement in productivity, efficiency and customer service. It will also improve policyholder security as well as optimise shareholders' returns.

It should be noted that the separation will be subject to the approval of the Minister for Finance through the Commissioner of Insurance in accordance with the provisions of the Insurance Act. The Company will continue to be quoted on the Nairobi Stock Exchange (NSE).

4 INSURANCE INDUSTRY

The poor performance of the Domestic economy continued to impact negatively on the insurance industry. Despite earlier optimism that the economy would perform better in 2001 the trading conditions have been very difficult. In particular, undercutting of premium rates continues to be widespread among underwriters.

Unacceptable delays and non-remittance of premiums beyond the prescribed credit period by some brokers continues to negatively impact on cash flow, investment income and the ability to service claims promptly.

The year 2001 welcomed a new Commissioner of Insurance. We support the public statements made by the Commissioner to address the above issues.

5 COMPANY PERFORMANCE

5.1 General Business - Underwriting Results

The gross premium income for the year was Kshs.593m compared to Kshs.563m in 2000, a 5% growth. The net written premium however declined from Kshs.329m in 2000 to Kshs.310m this year. This was as a result of high reinsurance cessions in the aviation and medical classes of insurance where substantial premium growth took place.

The reduction in net premium was also affected by a change in our underwriting philosophy. Certain loss-making lines of business were discontinued, particularly the PSV class and certain lines of medical business. We expect to see the benefits of the new underwriting philosophy flow through in 2002. However the initial signs are encouraging.

Regrettably expenses of management went up from Kshs.110m in 2000 to Kshs.134m in 2001. The major contributory factor to this increase was staff costs.

This was addressed at the end of 2001 through a retrenchment exercise resulting in a leaner workforce. Together with an improved control environment we expect to reap the benefits in 2002. The net result is an underwriting loss of Kshs.69m. This compares with an audited underwriting loss at the half year of Kshs.39m and Kshs.24m in 2000.

Whilst the level of premium defaulters remains unacceptably high, progress has been made in this area. A provision of Kshs.12m in the second half of the year (Kshs.26m at the half year) resulted in an overall provision of Kshs.38m in 2001 compared to Kshs.90m in 2000.

The net result is a loss of Kshs.107m compared to Kshs.114m in 2000.

5.2 Long Term Insurance Business

Continuing on from the performance of the previous year, the life operations have grown significantly.

A new individual life product, the Family Funeral Finance Plan ("FFFP"), launched early in the year, has been well received by the market and is beginning to make a significant contribution to the growth of the life portfolio. Much of the success of this product stems from the Company's relationship with African Life Assurance Company Limited ("African Life"), our strategic partner and major shareholder, through its shareholding in Hubris Holdings Limited. The FFFP design was built around similar products sold by African Life in the Southern African market, and was adapted for the needs of Kenyans. During the year African Life have also provided technical support to the Company in the actuarial, I.T., staff training and development and financial reporting arenas.

In the new year the division will continue to deliver innovative, affordable life insurance products appropriate to the needs of the Company's clients. These are expected to contribute significantly to the continued growth of the Life Division.

Policyholders will have noticed a considerable increase in the quality and standards of service delivered to them by the life division during 2001. Several initiatives, including the closure of marginally performing branches and the opening of new branches in untapped markets, the introduction of competency testing of new agents, product competency testing and agency performance management have raised the standards of our agency force. In addition, in-house training, the establishment of service standards and far greater performance evaluation has increased the effectiveness of administrative staff. This, together with additional investment in computer equipment, office furniture and equipment and a major refurbishment of the administrative offices has significantly improved the office environment and consequently the ability of the division to deliver quality service to customers.

Gross premium income rose from Kshs.245m in the year 2000 to Kshs.473m in 2001, an increase of 92%. After reinsurance cessions, the net written premium increased 78% from Kshs.243m to Kshs.434m. Particularly strong growth was experienced in the individual life and group life classes of business. Investment income of Kshs.79m is 71% of the previous year's Kshs.112m.

12 - CHAIRMAN'S REPORT (continued)

Additional provisions against rental debtors, a continually depressed stock market and further write-downs to the value of property investments have impacted on returns. While commission costs have increased in line with the increased level of activity, it is pleasing to note that selling costs and management expenses have only increased by 26% and 15% respectively. This is in line with management's goal of growing expenses at a slower rate than the growth in premium income.

To continue the growth of the long term business, a transfer of Kshs.297m has been made from the shareholders' funds to the individual life fund. The total life fund now stands at Kshs.1.1 billion compared to Kshs.866 million the previous year.

The company's consulting Actuaries carried out a valuation of the life business as at 31 December 2001. Arising from this, a simple reversionary bonus of 4% (2000-3%) has been recommended for individual life with-profit policyholders. For Deposit Administration Schemes, an interest declaration of 10% (2001 - 7%) has been recommended for the year under review. In view of the significant growth in new business strain, the Board of Directors does not recommend the transfer of any surplus to shareholders in respect of the current year's business.

6 ASSOCIATE AND SUBSIDIARY COMPANIES

6.1 Reliance Insurance Company (Tanzania) Limited

This associate company, contributed Kshs.1.3m to the group profit as compared to Shs.8.5m the previous year. The drop in the returns is as a result of the deterioration of underwriting results in the Tanzanian market and devaluation of the Tanzanian Shilling.

6.2 East Africa Reinsurance Company Limited

East Africa Reinsurance continues to make satisfactory progress. A dividend of Kshs.2.1m was received in year 2001 as compared to Kshs.1.8m the previous year.

6.3 Mae Properties Limited

The depressed property market continued to impact negatively on the subsidiaries' performance. This coupled with the discontinuation of coffee business, significant expenses incurred on investigations on matters referred to earlier in this report and provisions for tax and plot debtors resulted in a net loss of Kshs.60m in December, 2001 (a loss of Kshs.40m as at 30 June 2001) and Kshs.6m the previous year.

6.4 Runda Water Limited and Chem Chemi

On water purification and distribution, the group incurred losses amounting to Kshs.10.7m (Kshs.9.1m as at 30 June, 2001) compared to Kshs.6.6m loss the previous year.

The inflated costs of production in the first six months of the year which were addressed in the second half, together with a defaulting major distributor, contributed to the losses in both Runda Water Limited and Chem Chemi Mineral Water Limited.

The Company's continued involvement in the subsidiary companies is being reviewed by your Board and appropriate decision will be taken in the near future.

7 COMPANY AND GROUP RESULTS

The realised investment income amounted to Kshs.62.2m compared to Kshs.59.4m in 2000. Property devaluations of Kshs.31m have reduced investment income. This follows the adoption of IAS40 and the Company has elected to account for Property revaluation through the profit and loss account. The group operating loss amounted to Kshs.152m (June 2001, Kshs.84m) compared to a loss of Kshs.65m in year 2000.

Despite the two years of adverse results your Company remains strongly solvent and exceeds the solvency requirements of the Insurance Act.

8 STAFF AND AGENTS

The success of any organization depends on the performance of staff who are, needless to say, the single most important asset of the Company. This is an area that we continue to develop and will, in keeping with this vision, lay emphasis on staff development and training.

I take this opportunity to thank the staff and agents for their tireless efforts despite the difficult trading conditions.

9 PROSPECTS FOR THE FUTURE

Management with the support of the Board continue to take appropriate action to place the Company on a sound footing.

To ensure that we concentrate on our core business, we have outsourced our property portfolio to Knight Frank Limited and our Investments portfolio to AIG Global Investment Company (East Africa) Limited.

This together with the implementation of our strategic plans, will ensure that General Business Division returns to profitability in the near future and Life Division continues with its impressive growth.

10 APPRECIATION

I would like to thank my fellow directors, policyholders, the office of the Commissioner of Insurance, Stockbrokers, supporting insurance brokers other intermediaries, the Nairobi Stock Exchange, the Capital Markets Authority and indeed the shareholders for their continued support.

JPN Simba - Chairman
23rd April 2002

13 - TAARIFA YA MWENYEKITI

Wenyehisa, Mabibi na Mabwana.

Nina furaha kubwa kuwasilisha matokeo yaliyokaguliwa ya mwaka 2001.

1 MAZINGIRA YA KIUCHUMI

Hali ya kiuchumi humu nchini iliendelea kuwa ngumu mwakani. Ukuaji halisi wa Jumla Ya Pato La Taifa (GDP) uliongezeka kwa asilimia 0.8 ikilinganishwa na uzorotaji wa asilimia 0.3 mwaka uliotangulia.

Kuimarika huko kwa uchumi kumetokana na hali nzuri ya uzalishaji wa kilimo iliyotokana na kuimarika kwa hali ya hewa, ongezeko la mapato kutoka kwa sekta ya utalii, uwekaji rasimili kwenye huduma za simu za mkono na kuimarika kwa utoaji wa nguvu za umeme.

Mwelekeo huu unatarajiwa kuendelea katika mwaka wa 2002 lakini kwa mwendo wa pole kuliko ule uliokisiwa. Pato halisi la taifa katika mwaka wa 2002 linakisiwa kukua kwa asilimia 1.4 ikilinganishwa na asilimia 3.2 iliyotarajiwa hapo awali.

Upungukaji wa ukuaji uliokadiriwa unatokana na gharama kubwa ya uzalishaji, kuzorota kwa jumla katika uchumi ulimwenguni kufuatia shambulizi la kigaidi la Septemba kule Marekani na panda shuka za bei za mafuta. Wawekaji rasimili waliendelea kukosa imani kwa sababu ya kucheleweshwa kwa utoaji wa misaada kutoka kwa wafadhili, mashaka yanayozunguka marekebisha ya katiba pamoja na harakati zinazoelekeza kwenye Uchaguzi Mkuu.

Hati za Hazina ya Taifa zilifikia kiwango cha juu zaidi cha riba ya asilimia 15 mnamo Machi lakini kikashuka hadi asilimia 11 mnamo Desemba kwa sababu ya ongezeko la uwezo wa kupata pesa katika masoko. Huku tukiunga mkono kuanzishwa kwa hati za muda mrefu za serikali zinazotuwzesha kusimamia vyema majukumu yetu kwa wenye bima, bado tunasikitishwa na mashaka yaliyoko katika Sekta ya Benki kwa sababu ya Sheria ya Benki Kuu (iliyorekebisha) ya mwaka 2000.

2 MABADILIKO KATIKA HALMASHAURI

Kutokana na mapatano fulani yaliyogunduliwa katika kampuni Tanzu, baadhi ya Wakurugenzi walijiuzulu kutoka kwa Halmashauri ili kufaulisha uchunguzi kamili.

Jambo hili lilisababisha uundaji upya wa Halmashauri pamoja na kuteuliwa kwa Wakurugenzi wafuatao:-

BW JM Kituri	-	aliyeteuliwa upya tarehe 6 Julai 2001.
BW BC Patel	-	aliyeteuliwa tarehe 6 Julai 2001.
BW JP Simba	-	aliyeteuliwa tarehe 7 Desemba 2001.
BW JN Gitoho	-	aliyeteuliwa tarehe 7 Desemba 2001.

Pia Bw A Van Heerden aliteuliwa kuwa mwanachama wa Halmashauri mnamo 30/8/2001.

Ninaichukua fursa hii kuwakaribisha wenzangu hawa kwenye Halmashauri.

3 UUNDAJI UPYA WA KAMPUNI.

Kama ilivyoripotiwa katika mwaka wa 2000, kampuni iko katika harakati za kuundwa upya. Harakati hizi zitakapokamilika zitasababisha kutenganishwa rasmi kwa Biashara Ya Bima Za Maisha na Biashara Ya Bima Ya Jumla ili zisimamiwe kama kampuni huru.

Hata ingawa tulitarajia kukamilisha shughuli hii kufikia tarehe Mosi Julai 2001, hili halikuwezekana kwa sababu ya hitilafu fulani pamoja na uchunguzi uliotajwa katika 2 hapo juu.

Utenganishwaji huu utasababisha uzingativu zaidi na urahisisho uzimamizi maalum utakaosababisha uimarishaji wa uzalishaji, ufanisi, na huduma kwa wateja. Utamarisha pia uhifadhi wa wenye bima pamoja na kuzidisha mapato ya wenye hisa.

Inapaswa kuzingatiwa kwamba utenganishwaji huu utategemea kupewa idhini ya Waziri wa Fedha kupitia kwa Kamishna wa Bima kuambatana na Sheria ya Bima. Kampuni itaendelea kutajwa katika Soko la Hisa la Nairobi (NSE).

4 BIASHARA YA BIMA

Utendaji duni wa uchumi wa kitaifa uliendelea kuathiri vibaya biashara ya Bima.

Hata ingwa hapo awali ilitarajiwa kwamba uchumi utamarika katika mwaka wa 2001, hali za kibiashara zimekuwa ngumu sana. Haswa, uuzaji wa bima kwa viwango duni dhidi ya washindani umeendelea kuongezeka miongoni mwa wadhamini. Uchelewashaji uliokithiri pamoja na kutowasilisha malipo miongoni mwa madalali unaendelea kuathiri vibaya mapato halisi, mapato ya utegaji uchumi pamoja na uwezo wa kulipa fidia kwa wakati ufaao.

Katika mwaka wa 2001 tulipata Kamishna mpya wa Bima. Tunaunga mkono kauli za hadharani za Kamishna kuyahusu maswala yaliyotajwa hapo juu.

5 UTENDAJI WA KAMPUNI

5.1 Biashara Ya Bima Ya Jumla- Matokeo ya Udhhamini

Jumla ya mauzo ya bima ya mwaka ilikuwa shilingi milioni 593 ikilinganishwa na shilingi milioni 563 katika mwaka wa 2000 ikiwa ni ukuaji wa asilimia 5. Mauzo halisi yaliyoandikwa hata hivyo yalipungua kutoka shilingi milioni 329 katika mwaka wa 2000 hadi shilingi milioni 310 mwaka huu. Haya yalitokana na viwango vya juu vya uwekaji bima katika kampuni nyingine vilivyotolewa katika bima za ndege na za matibabu ambapo ukuaji wa mauzo ulipatikana.

Upungufu katika mauzo halisi uliathiriwa pia na mabadiliko katika sera yetu ya udhamini Baadhi ya aina za biashara zilizoendelea kupata hasara zilikatiwa haswa biashara ya bima ya uchukuzi wa PSV na baadhi ya bima za matibabu. Tunatarajia kuona faida za sera hii mpya katika mwaka wa 2002. Hata hivyo, dalili za mwanzo mwanzo zinatia moyo.

Hata hivyo, gharama ya usimamizi iliongezeka kutoka shilingi milioni 110 mnamo 2000 hadi shilingi milioni 131 mnamo 2001. Sababu kubwa iliyochangia haya ni ongezeko la gharama ya wafanyi kazi. Jambo hili lilishughulikiwa mwishoni mwa mwaka wa 2001 kupitia kwa kuachishwa kazi kwa baadhi yao ili kubana matumizi na vile vile kupunguza idadi ya wafanyakazi. Pamoja na mazingira ya usimamizi yaliyomarika, tunatarajia kupata faida ya haya katika mwaka 2002.

14 - TAARIFA YA MWENYEKITI (inaendelea)

Matokeo halisi basi ni hasara ya udhamini ya shilingi milioni 69 ikilinganishwa na hasara ya udhamini iliyokaguliwa ya nusu mwaka ya shilingi milioni 39 na shilingi milioni 24 mnamo 2000.

Pale ambapo kiwango cha wanaokosa kulipa ada kinapoendelea kuwa cha juu mno, hatua zimepigwa kuhusu swala hili. Kiasi-tengwa cha shilingi milioni 12 katika sehemu ya pili ya mwaka (shilingi milioni 26 kufikia katikati ya mwaka) kilisababisha jumla ya kiasi-tengwa cha shilingi milioni 38 mnamo 2001, ikilinganishwa na shilingi milioni 90 katika mwaka wa 2000.

Matokeo halisi ni hasara ya shilingi milioni 107 ikilinganishwa na shilingi milioni 114 mnamo 2000.

5.2 Biashara Ya Bima Za Maisha

Shughuli za Bima za Maisha zimeendelea kukua kutokana na utendaji wa mwaka uliotangulia. Bidhaa mpya inayoitwa Mpango Wa Jamii Wa Kugharamia Mazishi "FFFF" iliyoanzishwa mapema mwakani, imepokelewa vyema na imeanza kutoa mchango maalum kwa ukuaji wa sekta hii. Kiasi kikubwa cha mafanikio haya kinatokana na uhusiano wa Kampuni yetu na Kampuni ya Bima ya African Life Assurance Company (African Life), mshirika muhimu wetu na aliye pia mwenyehisa mkuu kupitia kwa uenyehisa wake katika Hubris Holdings Limited. Bidhaa ya FFFP ilitengenezwa kwa misingi sawa na bidhaa zinazouzwa na African Life katika masoko ya Afrika Kusini, na ikarekebisha kulingana na mahitaji ya VVakenya. Mnamo mwakani, African Life pia ilitoa ushauri wa kiufundi kwa Kampuni katika nyanja za utakwimu bima, teknolojia ya mawasiliano (IT), mafunzo na mandeleo ya wafanyaji kazi pamoja na utoaji wa ripoti za kifedha.

Katika mwaka huu mpya, sekta hii itaendelea kutoa bidhaa mpya kwa bei nafuu zinazolingana na mahitaji ya wateja wa Kampuni. Bidhaa hizi zinatarajiwa kuchangia kiasi kwa sekta hii ya Bima za Maisha.

Wateja watakuwa wameoia uimarikaji wa huduma wanazopewa na sekta hii katika mwaka wa 2001. Jitihadi kadhaa, zikiwemo kufungwa kwa matawi yasiyokuwa na utendaji bora pamoja na kufunguliwa kwa matawi katika masoko mapya, utadhamini wa ubora wa bidhaa pamoja na usimamizi bora wa utendaji wa maajenti zimeimarisha ubora wa maajenti wetu. Juu ya hayo, mafunzo kwa wafanyaji kazi, kuanzishwa rasmi kwa viwango vya huduma pamoja na utadhamini kamili wa utendaji umezidisha utendakazi wa wasimamizi. Haya, pamoja na ununuzi wa mitambo ya kompyuta, fenicha za afisi pamoja na ukarabati wa afisi za usimamizi kumeimarisha uwezo wa sekta hii wa kutoa huduma bora kwa wateja.

Jumla ya mauzo ya bima iliongezeka kutoka shilingi milioni 245 katika mwaka wa 2000 hadi shilingi milioni 473 mnamo 2001, ikiwa ni ongezeko la asilimia 92. Baada ya kutoa viwango vya uwekaji bima katika kampuni nyingine, mapato halisi ya mauzo ya bima yaliongezeka kwa asilimia 78 kutoka shilingi milioni 243 hadi shilingi milioni 434. Ukuaji ulioimarika zaidi ulipatikana katika biashara ya bima za kibinafsi na zile za vikundi.

Mapato ya utegaji uchumi ya shilingi milioni 79, ikiwa ni asilimia 71 ya mapato ya mwaka uliopita ya shilingi milioni 112 yalipatikana.

Viasi-tengwa vingine dhidi ya wadeni wa kodi, kuzorota kwa soko la hisa pamoja na uzorotaji wa dhamani ya rasimali za utegaji uchumi kumesababisha uzorotaji wa matokeo haya.

Pale viwango vya asilimia ya faida vinavyopewa wauza bima vikiongezeka kuambatana na ongezeko la mauzo, inafurahisha kuona kwamba gharama ya mauzo pamoja na ile ya usimamizi imeongezeka kwa asilimia 26 na 15 kwa kadiri. Jambo hili linaoana na malengo ya usimamizi ya kupunguza gharama kwa mwendo wa pole kuliko jinsi mapato ya mauzo yanavyokua.

Katika harakati za ukuaji kwenye uwanja huu wa biashara, uhamishaji wa shilingi milioni 297 umefanywa kutoka kwa hazina ya wenyehisa hadi kwenye hazina ya Bima za Maisha.

Jumla ya hazina ya Bima za Maisha hivi sasa ni shilingi bilioni 1.1 ikilinganishwa na shilingi milioni 866 mwaka uliotangulia.

Watakwimu bima wa Kampuni walikadiri biashara ya Bima za Maisha kufikia tarehe 31 Desemba, 2001. Kutokana na haya malipo ya ziada yanayomrejelea mwenye bima ya asilimia 4 imependekwa kwa wenye bima za maisha zenye faida. Katika Mpango Ya Usimamizi Wa Uwekaji Amana tangazo la riba ya asilimia 10 imependekwa kwa mwaka unaojadiliwa. Kutokana na ukuaji kiasi katika biashara mpya, Halmashauri ya Wakuregenzi haipendekezi uhamishaji wa fedha za ziada kwa wenyehisa kwa mwaka huu.

6. KAMPUNI SHIRIKI NA TANZU

6.1 Reliance Insurance Company (Tanzania) Limited

Kampuni shiriki ya Reliance Insurance Company (Tanzania) Limited, ilichangia shilingi milioni 1.3 kwa faida ya Kundi Nzima ikilinganishwa na shilingi milioni 8.5 mwaka uliotangulia. Upungufu huu ulisababishwa na uzorotaji wa matokeo ya udhamini katika soko la Tanzania na kushuka dhamani kwa shilingi ya Tanzania.

6.2 East Africa Reinsurance Company Limited

Ukuaji wa East Africa Reinsurance Company Limited umeendelea kuridhisha. Tulipokea mgawo wa shilingi milioni 2.1 katika mwaka wa 2001 ikilinganishwa na shilingi milioni 1.8 mwaka uliotangulia.

6.3 Mae Properties Limited

Kuzorota kwa soko la rasimali kulendelea kuathiri vibaya utendaji wa kampuni Tanzania. Hili, pamoja na kukatizwa kwa biashara ya mibuni, gharama kiasi ya uchunguzi uliotajwa hapo awali pamoja na viasi-tengwa dhidi ya kodi na wadeni ilisababisha hasara halisi ya shilingi milioni 60 (milioni 40 kufikia tarehe 30 Juni, 2001) na shilingi milioni 6 mwaka uliotangulia.

6.4 Runda Water Limited na Chem Chemi Mineral Water Limited

Kuhusu usafishaji na usambazaji wa maji, kundi lilipata hasara ya jumla ya shilingi milioni 10.7 (shilingi milioni 9.1 kufikia tarehe 30 Juni 2001) ikilinganishwa na hasara ya shilingi milioni 6.6 mwaka uliotangulia.

Kupanda kwa gharama za uzalishaji katika miezi sita ya mwanzo wa mwaka iliyoshughulikiwa katika kipindi cha pili cha mwaka huo pamoja na uasi wa msambazaji mkuu kulisababisha hasara katika makampuni tanzu ya Runda Water Limited na Chem Chemi Mineral Water Limited.

Ushiriki wa Kampuni katika kampuni tanzu hii ni jambo ambalo Halmashauri yako imejadili kwa undani na hata ingawa hakuna cha kuwajulisha kwa sasa kuhusu hatua inayoweza kuchukuliwa, hatua zote zinafikiwa.

7. MATOKEO YA KAMPUNI NA KUNDI NZIMA

Matokeo ya uzalishaji mali yalifikia shilingi milioni 62.2 ikilinganishwa na 59.4 katika mwaka wa 2000. Kushuka kwa dhamani ya raslimali kwa shilingi milioni 31 kumepunguza mapato ya utegaji uchumi. Haya yanafuata kuchukuliwa kwa IAS 40 inayohitaji kwamba udhamini upya wa raslimali uelezwe kupitia kwa hesabu ya faida na hasara.

Hasara ya Kundi Nzima ilifikia shilingi milioni 152 (Juni 2001, shilingi milioni 84) ikilinganishwa na hasara ya shilingi milioni 65 katika mwaka wa 2000.

Licha ya matokeo mabaya ya miaka miwili iliyopita Kampuni yako ingali na uwezo dhabiti wa kulipa madeni na inazidisha viwango vya uwezo wa kulipa madeni vilivyowekwa na Sheria ya Bima.

8. WAFANYIKAZI NA MAAJENTI

Kufaulu kwa shirika lolote lile hutegemea utendaji wa wafanyikazi ambao kwa hakika ndio raslimali muhimu zaidi kwa Kampuni. Hi ni nyanja ambayo tunaendelea kukuza na tutaendelea, kuambatana na maono haya, kutilia mikazo zaidi maendeleo na mafunzo ya wafanyikazi. Ninaichukua fursa hii kuwashukuru wafanyikazi na maajenti wote kwa juhudi zao licha ya hali ngumu za kibiashara.

9. MATAZAMIO YA BAADAYE

Usimamizi, pamoja na Halmashauri umeendelea kuchukua hatua mwafaka ili kuimarisha Kampuni. Ili kuhakikisha kwamba tunazingatia biashara yetu ya kiini, tumekabidhi biashara ya raslimali kwa Knight Frank Limited na ile ya utegaji uchumi kwa AIG.

Haya, pamoja na utekelezaji wa mipango yetu maalum yatahakikisha kwamba biashara ya Bima ya Jumla inaanza kupata faida hivi karibuni na kwamba biashara ya Bima za Maisha inaendelea na ukuaji wake unaopendeza.

10. SHUKURANI

Ningependa kuwashukuru Wakurugenzi wenzangu, Wasimamizi, wafanyikazi, maajenti, Kamishna wa Bima, madalali wa hisa, madalili wasaidizi wa bima na waamuzi wengine, Soko la Hisa la Nairobi (NSE), Capital Markets Authority na kwa hakika wenye hisa wote kwa ushirikiano wao.



16 - NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 57th Annual General Meeting of Pan Africa Insurance Company Limited will be held on 28th June 2002 at The Norfolk Hotel at 3pm at the Pool Restaurant to transact the following business:

1. To confirm the Minutes of the 56th Annual General Meeting held on 21 June 2001
2. To receive the audited financial statements for the year ended 31 December 2001 and the Reports of the Chairman, the Directors, the Auditors and the Consulting Actuaries.
3. To elect Directors.
 - (i) In accordance with the Company's Articles of Association, Messrs JN Gitohi, JPN Simba and A Van Heerden, who were appointed to the Board since the last Annual General Meeting retire from office and, being eligible, offer themselves for re-election.
 - (ii) In accordance with the Company's Articles of Association, Messrs WA Jack and JA Burbidge 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 consider and, if thought fit, to pass the following special resolution.
 - i. That the Articles of Association of the Company be altered to make them compliant with the Central Depositories Act, 2000 by adding after article 9 the following article to be numbered 10:
 - (a) "The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilized or dematerialized or are required by the regulations or rules issued under the Central Depositories Act to be immobilized or dematerialized in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilization and dematerialization shall be construed in the same way as they are construed in the Central Depositories Act.
 - (b) Where any securities of the Company are forfeited pursuant to these Articles of Association after being immobilized or dematerialized, the Company shall be entitled to transfer such securities to a securities account designated by the Directors for this purpose".
 - ii. That all succeeding articles be renumbered accordingly.
7. To transact any other business with the permission of the Chair.

By Order of the Board
G Kioi
Secretary

23rd April 2002

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.

Registered Office

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

17 - ILANI YA MKUTANO MKUU WA MWAKA

Ilani inatolewa kwamba mkutano wa hamsini na saba mkuu wa kampuni ya Pan Africa Insurance Company Limited utafanyika katika hoteli ya The Norfolk Nairobi, tarehe Ishirini na nane, Juni 2002, saa tisa mchana kwenye Pool Restaurant kujadili mambo yafuatao:

1. Kuthibitisha kumbukumbu za mkutano wa hamsini na sita mkuu wa mwaka uliofanywa mnamo tarehe 21 Juni 2001.
2. Kupokea taarifa ya hesabu ya pesa kwa mwaka uliomalizika tarehe 31 Desemba, 2001 pamoja na taarifa ya Mwenyekiti, Wakurugenzi na Wakaguzi-hesabu.
3. Kuwachagua Wakurugenzi.
 - (i) Kuambatana na Vifungu vya Kushirikishwa kwa Kampuni Mabwana JN Gitoho, JPN Simba na A Van Heerden wanastaafu na kwa kuwa wanastahili, wamejitolea kuchaguliwa tena.
 - (ii) Kuambatana na Vifungu vya Kushirikishwa kwa Kampuni Mabwana WA Jack na JA Burbidge wanastaafu kwa zamu na kwa kuwa wanastahili, wamejitolea kuchaguliwa tena.
4. Kuamua ujira wa wakurugenzi.
5. Kuwateua tena wakaguzi-hesabu, PricewaterhouseCoopers, na kuwaidhinisha wakurugenzi waamue malipo ya wakaguzi-hesabu.
6. Kujadili na iwapo itastahili, kupitisha azimio maalum lifuatalo,
 - (i) Kwamba Vifungu vya Kushirikishwa kwa Kampuni zibadilishwe ili ziambatane na Sheria ya Hazina Kuu 2000 kwa kuiongezea baada ya kifungu cha 9, kifungu kitakachoratibishwa kama kifungu cha 10.
 - (a) "Masharti ya Sheria ya Hazina Kuu 2000, kama yatakavyorekebishwa kwa wakati, yatahusisha Kampuni kufikia kiwango kwamba amana zote za Kampuni zitakuwa zimesimamishwa au kutotimizwa kwa kiasi au kwa jumla au kwamba zitahitajika na kanuni zilizotolewa chini ya Sheria ya Hazina Kuu zisimamishwe au zisitimizwe kwa kiasi au kwa jumla kulingana na hali itakavyokuwa. Masdharti yoyote ya Vifungu hivi ambayo hayaambatani na Sheria ya Hazina Kuu au kanuni zozote zinazotolewa kufuatia haya yatachukuliwa kuwa yamebadilishwa kufikia kiasi cha kuchukua hitilafu zozote katika utekelezaji wake kwa amana zile. Kwa makusudi ya Vifungu vya Kushirikishwa, usimamishwaji na kutotimizwa kwa amana kutachukuliwa kuwa sawa kama vile kunavyochukuliwa katika Sheria ya Hazina Kuu.
 - (b) Pale ambapo amana zozote za Kampuni zinatwaliwa kufuatia Vifungu hivi vya Kushirikishwa, baada ya kusimamishwa au kutotimizwa, Kampuni itakuwa na haki ya kuzihamisha hadi kwenye hazina ya amana itakayoamuliwa na Wakurugenzi kwa minajili hii".
 - (ii) Kwamba vifungu vyote vinavyofuata viratibishwe vilivyo
7. Kujadili mambo mengine yoyote yatakayotolewa kwa idhini ya Mwenyekiti.

Kwa Amri ya Halmashauri
G Kioi
Katibu

23 Aprili 2002

Ofisi Kuu
Pan Africa House
Kenyatta Avenue
S L Posta 62551
Simu: 339544-9
Nairobi
Barua memo: 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 mwa ripoti hii kwa ajili hiyo. Ili iwe halali fomu ya mwakilishi iliyojazwa na kutiwa sahihi inapaswa kupelekwa ama kupokewa katika ofisi ya kampuni iliyoandikishwa muda usiopungua masaa 48 kabla ya mwanzo wa mkutano.

18 - 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 Reports 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 recognize the need to conduct the business of the group with integrity and in accordance with generally accepted corporate practices, and endorse 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 6 and 20 and the Board sub-committees are set out below. The Board is chaired by an independent non-executive director and includes two executive and six 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 plans 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.

19 - CORPORATE GOVERNANCE (continued)

BOARD COMMITTEES

AUDIT

A Van Heerden (Chairman), JA Burbidge, AD Greenwood, D Lacey, JW Murengi*, GN Ngure*, G Kioi*

INVESTMENT

BC Patel (Chairman), JA Burbidge, AD Greenwood, D Lacey, A Van Heerden, JJO Olubayi, G Kioi*

REMUNERATION

JA Burbidge (Chairman), AD Greenwood, D Lacey, AO 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 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 21.

D Lacey

Chief Executive

23rd April 2002

AD Greenwood

Executive Director - Life

23rd April 2002

20 - REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2001 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. 152m (2000: Shs 65m - loss). The Directors do not recommend payment of a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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, property investments and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effect on its financial performance within the options available in Kenya to hedge against such risks.

The Company has policies in place to ensure that business 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:

JPN Simba - Chairman
AD Greenwood - Executive Director - Life
JN Gitoho
JA Burbidge
WA Jack
JM Kituri
BC Patel
JN Gitoho
A Van Heerden

The Directors who resigned during the year were:

AAA Ekirapa
WE Olotch
SM Ethangatta
JG Kibe
MW Muigai (Mrs)
DM Mutiso
DK Ngini
FT Nyammo

In accordance with the Company's Articles of Association, WA Jack and JA Burbidge retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

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

By order of the Board
G Kioi
Secretary

23rd April 2002

21 - REPORT OF THE AUDITORS

TO THE MEMBERS OF PAN AFRICA INSURANCE COMPANY LIMITED.

We have audited the financial statements set out on pages 22 to 50. We have obtained all the information and explanations that, 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 as at 31 December 2001 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

23rd April 2002

REPORT OF THE CONSULTING ACTUARIES

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 2001.

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 2001.

JIO Oluibayi
Fellow of the Institute of Actuaries

23rd April 2002

22 - PROFIT AND LOSS ACCOUNTS

		Group		Company	
		2001	2000	2001	2000
		Shs.'000	Shs.'000	Shs.'000	Shs.'000
Notes					
INCOME					
Investment income	5(a)	30,718	59,415	30,718	59,415
TOTAL INCOME		30,718	59,415	30,718	59,415
OUTGO					
Loss transferred from General insurance business revenue accounts		(106,850)	(113,758)	(106,850)	(113,758)
Exceptional items	7	(18,878)	-	(18,878)	-
Subsidiaries' operating loss		(64,396)	(10,644)	-	-
TOTAL OUTGO		(190,124)	(124,402)	(125,728)	(113,758)
Operating loss	2	(159,406)	(64,987)	(95,010)	(54,343)
Share of associate's results before tax	17	1,303	8,486	1,303	8,486
Finance income	8(a)	-	1,840	-	-
Operating loss		(158,103)	(54,661)	(93,707)	(45,857)
Tax credit/(charge)	9	5,808	(10,386)	147	(5,315)
Loss attributable to the shareholders of the Company	10	(152,295)	(65,047)	(93,560)	(51,172)
		Shs.	Shs.		
Basic loss per share	11	(3.17)	(1.46)		
		Shs.'000	Shs.'000	Shs.'000	Shs.'000
Dividends:					
Proposed		-	-	-	-

23 - LONG-TERM INSURANCE BUSINESS REVENUE ACCOUNTS

		Statutory funds					
	Notes	Individual Life Shs.'000	Group Life Shs.'000	Pension Funds Shs.'000	General Fund Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Gross premium income	4	294,316	155,999	22,846	-	473,161	245,910
Net premium income	4	294,316	116,977	22,846	-	434,139	243,778
Investment income	5(b)	59,981	9,152	8,588	1,901	79,622	112,155
Total income		354,297	126,129	31,434	1,901	513,761	355,933
Commissions		63,031	12,258	-	-	75,289	38,921
Selling expenses		43,263	190	-	-	43,453	34,357
Expenses of Management		124,069	6,917	1,052	-	132,038	114,346
Total expenses		230,363	19,365	1,052	-	250,780	187,624
Excess of income over expenses		123,934	106,764	30,382	1,901	262,981	168,309
Policyholders' benefits	6	(132,508)	(12,277)	(10,864)	-	(155,649)	(116,882)
Claim reserves released to the life fund		23,827	-	-	-	23,827	-
Income from normal operations before tax		15,253	94,487	19,518	1,901	131,159	51,427
Premium tax		4,753	2,246	-	-	6,999	2,861
Income from normal operations after tax		10,500	92,241	19,518	1,901	124,160	48,566
Exceptional items							
Retrenchment costs	7	(4,594)	-	-	-	(4,594)	-
Investment property- impairment charge	7	(169,811)	-	-	-	(169,811)	-
Equipment impairment charge	7	-	-	-	-	-	(16,017)
(Decrease)/Increase in funds during the year	2	(163,905)	92,241	19,518	1,901	(50,245)	32,549
Life funds at 1 January							
as previously stated		758,502	7,081	76,984	24,045	866,612	830,667
prior year adjustment	19	-	-	-	-	-	3,396
		594,597	99,322	96,502	25,946	816,367	866,612
Transfer from shareholders' funds	29	297,000	-	-	-	297,000	-
Intra-fund transfer	29	9,208	(9,208)	-	-	-	-
Life funds at 31 December	29	900,805	90,114	96,502	25,946	1,113,367	866,612

24 - GENERAL INSURANCE BUSINESS REVENUE ACCOUNTS

	Motor Pool	Aviation Pool	C.A.R & Engineering	Fire Domestic	Fire Industrial	Liability Insurance	Marine & Transit	Motor Private	Motor Commercial	Medical Insurance	Personal Accident	Theft Insurance	Workmen's Compensation	Misc. Accident	Total 2001	Total 2000
	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
Net Written Premium	-	396	9,460	9,689	28,938	2,857	7,704	57,291	109,455	30,430	15,442	17,797	16,998	3,803	310,260	329,724
Unearned premium b/f	-	1,166	464	2,802	7,700	646	3,560	23,522	29,443	11,340	2,670	2,695	4,955	1,741	92,704	92,177
Unearned premium c/f	-	(1,486)	(573)	(3,537)	(10,811)	(752)	(1,278)	(24,180)	(42,353)	(8,419)	(4,150)	(4,574)	(5,880)	(752)	(108,745)	(92,705)
Net Earned Premium	-	76	9,351	8,954	25,827	2,751	9,986	56,633	96,545	33,351	13,962	15,918	16,073	4,792	294,219	329,196
Claims Paid	2,586	-	252	2,183	4,886	97	6,108	53,511	56,453	20,203	5,799	14,607	5,791	4,247	176,723	223,060
Claims expense	80	-	64	87	230	102	352	1,769	2,571	3,103	398	739	270	144	9,909	8,163
Claims outstanding c/f	8,875	-	738	1,904	7,851	18,270	12,781	74,278	162,560	10,927	12,705	13,804	30,609	1,242	356,544	347,677
Claims outstanding b/f	(11,078)	(110)	(3,939)	(3,573)	(11,679)	(12,731)	(6,101)	(80,943)	(147,819)	(7,616)	(13,705)	(16,738)	(26,890)	(4,752)	(947,624)	(372,716)
Claims Incurred	463	(110)	(2,885)	601	1,286	5,738	13,140	48,615	73,765	26,617	5,197	12,412	9,780	881	198,502	206,184
Commission	-	(3,291)	668	1,554	200	721	(560)	5,118	12,792	8,027	2,254	(4,106)	3,445	171	26,993	28,681
Movement in deferred acquisition costs	-	(110)	(72)	(147)	(900)	(53)	(29)	(66)	(1,298)	584	(296)	(183)	(184)	24	(2,735)	(939)
Expenses	-	18,634	3,304	2,707	11,984	1,284	2,974	14,449	30,650	30,088	5,833	6,795	4,007	1,458	134,167	110,093
Premium tax & levies	-	1,225	217	178	788	84	195	950	2,016	1,979	384	448	264	95	8,823	9,034
Total Commission and Expenses	-	16,458	4,117	4,292	12,072	2,036	2,580	20,451	44,160	40,678	8,175	2,949	7,532	1,748	167,248	146,869
Technical (loss) / profit	(463)	(16,272)	8,119	4,061	12,467	(5,023)	(5,734)	(12,433)	(21,380)	(33,944)	590	557	(1,239)	2,163	(68,531)	(23,857)
Provision for doubtful debts															(38,319)	(89,901)
Underwriting loss															(106,850)	(113,758)

25 - CONSOLIDATED BALANCE SHEET

	Note	Long term Insurance Business Shs.'000	General Insurance Business Shs.'000	Shareholders' funds Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
CAPITAL EMPLOYED						
Share capital	26	-	-	240,000	240,000	240,000
Share premium	27	-	-	364,431	364,431	364,431
Revaluation reserves	28(a)	-	-	(1,756)	(1,756)	820,349
Retained earnings	28(c)	-	-	554,987	554,987	125,676
Assigned capital	18	527,261	630,401	(1,157,662)	-	-
Transfer to Life funds	29(a)	(297,000)	-	-	(297,000)	-
Shareholders' funds		230,261	630,401	-	860,662	1,550,456
Statutory funds	29(a)	1,087,421	-	-	1,087,421	842,567
General fund	29(b)	25,946	-	-	25,946	24,045
Total life funds		1,113,367	-	-	1,113,367	866,612
Total capital, reserves and long term funds		1,343,628	630,401	-	1,974,029	2,417,068
REPRESENTED BY:						
INVESTMENTS						
Government Securities	14	406,500	64,400	-	470,900	193,050
Investment property	13(a)	257,689	561,000	-	818,689	1,216,902
Land & development	22	-	-	-	-	257,937
Investment in associated company	17	-	25,143	-	25,143	25,081
Quoted shares	15	39,523	14,236	-	53,759	66,526
Unquoted ordinary shares	16(a)	-	70,870	-	70,870	70,870
Mortgage loans	20	53,423	91,371	-	144,794	114,633
Policy loans	21	78,835	-	-	78,835	71,183
Bank balances, deposits and cash	23	298,132	50,231	-	348,363	575,174
		1,134,102	877,251	-	2,011,353	2,591,356
NON- CURRENT ASSETS						
Property, plant and equipment	12(a)	239,421	105,590	-	345,011	280,443
CURRENT ASSETS						
Outstanding premiums		91,576	167,179	-	258,755	187,787
Due from reinsurers		11,610	123,212	-	134,822	123,579
Other receivables	24(a)	62,302	107,054	-	169,356	147,996
Intra-company current account		-	-	-	-	532,848
Land & development	22	-	38,242	-	38,242	-
Stocks	25	-	-	-	-	1,915
Tax recoverable		-	20,860	-	20,860	20,860
		165,488	456,547	-	622,035	1,014,985
Total assets		1,539,011	1,439,388	-	2,978,399	3,886,784
LIABILITIES						
Technical provisions						
Unearned premiums		-	108,744	-	108,744	92,705
Outstanding claims		70,862	356,547	-	427,409	433,389
		70,862	465,291	-	536,153	526,094

26 - CONSOLIDATED BALANCE SHEET (continued)

		Long term Insurance Business Shs.'000	General Insurance Business Shs.'000	Shareholders' funds Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
	Note					
Non-current liabilities						
Deferred tax	30(a)	-	30,019	-	30,019	125,654
Other liabilities						
Intra-company current account		-	-	-	-	532,848
Due to reinsurers		7,208	89,648	-	96,856	80,612
Other payables	31(a)	85,129	132,265	-	217,394	120,409
Current tax		-	29,753	-	29,753	40,756
Borrowings	32(a)	32,184	43,091	-	75,275	24,334
Unclaimed dividends		-	18,920	-	18,920	19,009
		124,521	313,677	-	438,198	817,968
Total liabilities		195,383	808,987	-	1,004,370	1,469,716
		1,343,628	630,401	-	1,974,029	2,417,068

The financial statements on pages 22 to 50 were approved for issue by the Board of Directors on 23rd April 2002 and signed on its behalf by:-

JPN Simba
Chairman

D Lacey
Chief Executive

AD Greenwood
Director

27 - COMPANY BALANCE SHEET

	Note	Long term Insurance Business Shs.'000	General Insurance Business Shs.'000	Shareholders' funds Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
CAPITAL EMPLOYED						
Share capital	26	-	-	240,000	240,000	240,000
Share premium	27	-	-	364,431	364,431	364,431
Revaluation reserves	28(b)	-	-	(32,889)	(32,889)	535,137
Retained earnings	28(c)	-	-	634,728	634,728	173,045
Assigned capital	18	527,261	679,009	(1,206,270)	-	-
Transfer to Life funds	29(a)	(297,000)	-	-	(297,000)	-
Shareholders' funds		230,261	679,009	-	909,270	1,312,613
Statutory funds	29(a)	1,087,421	-	-	1,087,421	842,567
General fund	29(b)	25,946	-	-	25,946	24,045
Total life funds		1,113,367	-	-	1,113,367	866,612
Total capital, reserves and long term funds		1,343,628	679,009	-	2,022,637	2,179,225
REPRESENTED BY:						
INVESTMENTS						
Government Securities	14	406,500	64,400	-	470,900	193,050
Investment property	13(b)	257,689	538,000	-	795,689	1,216,902
Investment in associated company	17	-	25,143	-	25,143	25,081
Quoted shares	15	39,523	14,236	-	53,759	66,526
Unquoted ordinary shares	16(b)	-	164,303	-	164,303	164,303
Mortgage loans	20	53,423	91,371	-	144,794	114,633
Policy loans	21	78,835	-	-	78,835	71,183
Bank balances, deposits and cash	23	298,132	43,586	-	341,718	570,690
		1,134,102	941,039	-	2,075,141	2,422,368
NON- CURRENT ASSETS						
Property plant and equipment	12(b)	239,421	27,697	-	267,118	55,967
Deferred tax	30(b)	-	4,111	-	4,111	2,723
		239,421	31,808	-	271,229	58,690
CURRENT ASSETS						
Outstanding premiums		91,576	167,179	-	258,755	187,784
Due from reinsurers		11,610	123,212	-	134,822	123,579
Other receivables	24(b)	60,552	104,883	-	165,435	118,793
Intra-business current account		1,750	-	-	1,750	532,848
Tax recoverable		-	20,860	-	20,860	20,860
		165,488	416,134	-	581,622	983,864
Total assets		1,539,011	1,388,981	-	2,927,992	3,464,922
LIABILITIES						
Technical provisions						
Unearned premiums		-	108,744	-	108,744	92,705
Outstanding claims		70,862	356,547	-	427,409	433,389
		70,862	465,291	-	536,153	526,094

28 - COMPANY BALANCE SHEET (continued)

		Long term Insurance Business Shs.'000	General Insurance Business Shs.'000	Shareholders' funds Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
	Note					
Other liabilities						
Intra-business current account		-	1,750	-	1,750	532,848
Due to reinsurers		7,208	89,648	-	96,856	80,611
Other payables	31(b)	85,129	86,536	-	171,665	99,053
Current tax		-	4,731	-	4,731	4,730
Borrowings	32(b)	32,184	43,091	-	75,275	23,352
Unclaimed dividends		-	18,925	-	18,925	19,009
		124,521	244,681	-	369,202	759,603
Total liabilities		195,383	709,972	-	905,355	1,285,697
		1,343,628	679,009	-	2,022,637	2,179,225

The financial statements on pages 22 to 50 were approved for issue by the Board of Directors on 23rd April 2002 and signed on its behalf by:-

JPN Simba
Chairman

D Lacey
Chief Executive

AD Greenwood
Director



"all the assurance you need"

29 - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Share capital Shs.'000	Share premium Shs.'000	Revaluation reserves Shs.'000	Retained earnings Shs.'000	Proposed dividends Shs.'000	Total Shs.'000
Year ended 31 December 2000						
At start of year :	120,000	-	889,220	186,274	12,000	1,207,494
<i>Surplus/(deficit) arising from:</i>						
Revaluation of investment properties	28(a)	-	(10,000)	-	-	(10,000)
Revaluation of Ordinary shares	28(a)	-	5,076	-	-	5,076
Release in respect of plots sold	28(a)	-	(87,793)	-	-	(87,793)
Deferred tax released on sale of plots	28(a)	-	26,320	-	-	26,320
Transfer of excess depreciation	28(a)	-	(2,474)	4,449	-	1,975
Net losses not recognised in income statement		-	(68,871)	4,449	-	(64,422)
Net loss for the year		-	-	(65,047)	-	(65,047)
Dividends :						
- Final for 1999 paid		-	-	-	(12,000)	(12,000)
Issue of share capital	27	120,000	364,431	-	-	484,431
At end of year	240,000	364,431	820,349	125,676	-	1,550,456
Year ended 31 December 2001						
At start of the year						
-As previously stated	28(a)	240,000	364,431	820,349	125,676	1,550,456
- Effect of adopting IAS 40	28(a)	-	-	(578,058)	578,058	-
As restated		240,000	364,431	242,291	703,734	1,550,456
Fair value loss on quoted shares	28(a)	-	-	(12,784)	-	(12,784)
Restatement of land and Development to historical cost	28(a)	-	-	(227,715)	-	(227,715)
Transfer of excess depreciation	28(a)	-	-	(5,068)	5,068	-
Deferred tax on transfer	28(a)	-	-	1,520	(1,520)	-
Net losses not recognised in income statement		-	-	(244,047)	3,548	(240,499)
Net loss for the year		-	-	(152,295)	-	(152,295)
At end of year	240,000	364,431	(1,756)	554,987	-	1,157,662

30 - COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs.'000	Share premium Shs.'000	Revaluation reserves Shs.'000	Retained earnings Shs.'000	Proposed dividends Shs.'000	Total Shs.'000
Year ended 31 December 2000							
At start of year :		120,000	-	540,061	224,217	12,000	896,278
Surplus/(deficit) arising from revaluation of:							
Investment properties		-	-	(10,000)	-	-	(10,000)
Quoted ordinary shares		-	-	5,076	-	-	5,076
Net losses not recognised in income statement		-	-	(4,924)	-	-	(4,924)
Net loss for the year		-	-	-	(51,171)	-	(51,171)
Dividends :							
- Final for 1999 paid		-	-	-	-	(12,000)	(12,000)
Issue of share capital	27	120,000	364,431	-	-	-	484,431
At end of the year		240,000	364,431	535,137	173,046	-	1,312,614
Year ended 31 December 2001							
At start of the year		-	-	-	-	-	-
As previously stated		240,000	364,431	535,137	173,046	-	1,312,614
-Effect of adopting IAS 40	28(b)	-	-	(555,242)	555,242	-	-
As restated		240,000	364,431	(20,105)	728,288	-	1,312,614
Fair value losses on quoted shares	28(a)	-	-	(12,784)	-	-	(12,784)
Net loss for the year		-	-	-	(93,560)	-	(93,560)
At end of year		240,000	364,431	(32,889)	634,728	-	1,206,270



"creating customer focus"

31 - GENERAL INSURANCE BUSINESS CASH FLOW STATEMENT

Notes	Group		Company	
	2007 Shs.'000	2006 Shs.'000	2007 Shs.'000	2006 Shs.'000
Cash flow from operating activities				
(Loss) / Profit before tax	(158,103)	(54,661)	(93,707)	(45,858)
Adjustment for:				
Depreciation	25,311	33,731	13,934	15,954
Fair value losses	31,527	-	31,527	-
Premiums and claims reserves	24,909	(25,451)	24,909	(25,451)
Impairment charge	7,956	-	-	-
Investment income	(32,021)	(67,899)	(32,021)	(59,415)
Operating profit before working capital changes	(100,421)	(114,280)	(55,358)	(114,770)
Increase in debtors	(6,825)	(409,807)	(43,271)	(446,115)
(Decrease) / increase in creditors	105,851	29,823	62,312	32,756
Cash generated from operations	(1,395)	(494,264)	(36,317)	(528,129)
Income taxes paid	(30,827)	(34,323)	-	(15,553)
Net cash from operating activities	(32,222)	(528,587)	(36,317)	(543,682)
Return on investments and servicing of finance				
Investment income received	33,424	56,374	33,424	46,473
Dividends paid	(85)	(10,587)	(85)	(10,587)
Net cash flow from investments and servicing of finance	33,339	45,787	33,339	35,886
Cash flows from investing activities				
Purchase of property, plant & equipment	(6,812)	(14,598)	(5,859)	(953)
Mortgage loans redeemed (issued)	(18,365)	38,516	(18,365)	38,516
Net sale / (purchase) of shares	-	(5,193)	-	(5,193)
Net redemptions of Government securities	1,250	21,800	1,250	21,800
Issue of shares	-	484,431	-	484,431
Net cash from investing activities	(23,927)	524,956	(22,974)	538,601
Net increase / (decrease) from cash and cash equivalents	(22,810)	42,156	(25,952)	30,805
Cash and cash equivalents at start of year	47,807	5,651	44,304	13,499
Cash and cash equivalents at end of year	24,997	47,807	18,352	44,304

32 - 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 (IAS). The financial statements are presented in Kenya shillings (Shs) and prepared under the historical cost convention, as modified by the revaluation of certain of the Group's property, plant and equipment, and the carrying of certain investments at fair value.

(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 undertaking.

(c) Underwriting Results

General Insurance Business

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

- (i) Premium written relates to business incepted during the year, and includes estimates of premiums due but not yet received, less an allowance for cancellations.
- (ii) Unearned premiums represent the proportion of the premiums written in periods up to the accounting date, which relate to the unexpired terms of policies in force at the balance sheet date, and are calculated using the 1/365ths method for direct business and 1/8ths basis for inward business.
- (iii) Claims incurred comprise claims paid in the year, claims handling expenses, 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").
- (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. Commission is shown net of commission received in respect of reinsurance business ceded. Direct expenses in respect of the claims department are charged directly to claims incurred. The portion of commissions which relates to the unexpired terms of policies in force at the balance sheet date is deducted and treated as deferred acquisition costs.

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. Group life and pension contributions are recognised as 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 funds 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 life fund.
- (d) **Investment income**
Investment income is stated net of investment expenses. Interest and rent are recognised as income in the period in which they are earned. Dividends are recognised as income in the period in which they are declared. Income arising on investments held by the long term business is taken up in the long term revenue account whilst income derived from investments held by the general 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.

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

Long term insurance business properties	-	over the unexpired lease period
Buildings (in a subsidiary company)	-	20 years
Motor vehicles	-	3-4 years
Furniture, fittings, plant 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 the operating profit or loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

- (f) **Investment property**

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are treated as long term investments and carried at market value determined annually, based on valuations by external independent valuers, adjusted for any impairment that the board may deem necessary. Investment properties are not subject to depreciation. Changes in their carrying amount between balance sheet dates are processed through the profit and loss account for assets attributable to the general business, and through the long term revenue account for assets attributable to the long term business. Previously, changes in carrying value were credited to revaluation reserves in shareholders' equity in respect of general business and the long term revenue account in respect of long term business. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account for investment property held by the short term business, and to the life fund for investment property held by the long term business.

- (g) **Other investments**

All purchases and sales of investments are recognised on the trade date, which is the date the group commits to purchase or sell the asset. The cost of purchase includes transaction costs. Management subsequently determines the appropriate classification of its investments and re-evaluates such designation on a regular basis as follows:

Investments with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortised cost. Non-equity investments purchased in the primary market (i.e. directly from the issuer) are classified as originated loans, and are carried at amortised cost. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are carried at fair value.

34 - PRINCIPAL ACCOUNTING POLICIES (continued)

Investments are classified and carried at values as follows:

- (i) Quoted shares are classified as available-for-sale investments and are carried at fair value. Their fair value is calculated by reference to the stock exchange quoted bid prices at the close of business on the balance sheet date.
- (ii) Unquoted investments are classified as available-for-sale investments. They are shown at fair value unless their value cannot be reliably measured, when they are carried at cost less provision for impairment.
- (iii) Securities issued by the Kenya Government are classified as originated loans. They are carried at amortised cost (i.e. cost plus accrued discount or interest) and any premium or discount is amortised through income, using the effective yield method.
- (iv) Fixed deposits and commercial papers are classified as originated loans. These are carried at amortised cost (i.e. cost plus accrued income), using the effective yield method.

Fair value gains/(losses) arising on investments held by the general business are credited/(debited) to a separate reserve in shareholders' equity; gains/(losses) in respect of shares held by the long term business are dealt with in the life fund.

- (h) **Land and development**
Land and development, which relates to a subsidiary company, was previously stated at open market value; from 2001 land and development is stated at cost. Infrastructure costs incurred in respect of unsold land and development are deferred and released to income as the land is sold.
- (i) **Inventories**
Inventories comprise coffee held by a subsidiary company and are carried 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 period. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation.
- (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 the period-end. Differences arising on translation are charged to the long-term insurance business revenue accounts in respect of the long-term business and profit and loss account in respect of the general insurance business.
- (k) **Accounting for leases**
Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income 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 substantially enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that future taxable profits will be available against which the temporary difference can be utilised.
- (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 period-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 Company's contributions are charged to the profit and loss account and the life revenue accounts in the period to which they relate. The assets of the scheme are held in a separate trustee administered fund, which is funded from contributions from both the company and employees.
- (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) **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 no 40 (Investment Property), which the company has implemented in the year.

35 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS

I Segment information: Business segments

The core activity of the Company is carrying out general and long term insurance business in Kenya. However, certain of the subsidiaries conduct other types of business and the Groups' activities can therefore be organised into three main business segments namely; insurance business, sale of plots and coffee farming and distribution of water and estate management.

The information on long-term insurance business is disclosed in the long-term insurance business revenue accounts which is 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 and estate management.

(a) All operations

	General Insurance business Shs'000	Sale of plots and coffee farming Shs'000	Distribution of water and estate management Shs'000	Total Shs'000
Year ended 31 December 2001:				
Net premium / Turnover	310,260	29,823	30,764	370,847
Segment results	(95,010)	(53,735)	(10,661)	(159,406)
Share of associate's profits	1,303	-	-	1,303
Loss before tax	(93,707)	(53,735)	(10,661)	(158,103)
Tax	147	4,042	1,619	5,808
Net Loss	(93,560)	(49,693)	(9,042)	(152,295)
Segment assets	1,259,303	98,108	81,977	1,439,388
Segment liabilities	690,365	83,783	16,980	791,128
Capital expenditure	10,091	114	839	11,044
Depreciation	13,935	3,081	8,295	25,311
Year ended 31 December 2000:				
Net premium / Turnover	329,724	64,942	35,830	430,496
Segment results	(54,343)	(1,301)	(9,343)	(64,987)
Finance income /(costs)	-	1,842	(1)	1,841
Share of associate's profits	8,485	-	-	8,485
(Loss)/Profit 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) Discontinued operations

During 2001, the directors of the company decided to stop the growing and sale of coffee in the subsidiary company (Mae Properties Limited)

The gross results of the discontinued operations are as follows :

	2001 Shs.	2000 Shs.
Sale of coffee	1,123	1,492
Cost of sales	(16,687)	(21,963)
Write down of assets	(7,956)	-
Gross loss from discontinued operations	(23,520)	(20,471)

36 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

2 Operating loss and changes in the life funds

The following items have been charged in arriving at operating loss and increase in Life funds:

	Long-term insurance business Shs.'000	General insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
(a) Group				
Depreciation - Note 12(a)	15,937	25,311	41,248	53,238
Impairment charge - Note 12(c)	-	7,956	7,956	16,017
Auditors' remuneration	2,054	2,850	4,904	2,650
Staff costs - Note 3	85,454	89,772	175,226	154,948
Operating lease rentals	893	4,952	5,845	3,359
(b) Company				
Depreciation - Note 12(b)	15,937	13,936	29,873	35,461
Impairment charge - Note 12(c)	-	-	-	16,017
Auditors' remuneration	2,054	2,330	4,384	2,050
Staff costs - Note 3	85,454	81,071	166,525	142,204
Operating lease rentals	893	4,952	5,845	3,359

3 Staff costs

The following items are included within staff costs:

	Group 2001 Shs.'000	2000 Shs.'000	Company 2001 Shs.'000	2000 Shs.'000
Pension costs-defined contribution plan	9,057	10,111	9,057	9,286
The number of persons employed at year end was:				
Full time staff	180	173	180	171
Part time staff	66	69	66	-

4 Long-term insurance business premium income

	Individual Life Shs.'000	Group Life Shs.'000	Deposit Admini- stration Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Gross premium income	294,316	155,999	22,846	473,161	245,910
Reassurances	-	(52,029)	-	(52,029)	(5,988)
Commission	-	13,007	-	13,007	3,856
Reassurances net of commissions	-	(39,022)	-	(39,022)	(2,132)
Net premium income	294,316	116,977	22,846	434,139	243,778

5 Investment Income (Group & Company)

(a) General insurance business

	Total 2001 Shs.'000	Total 2000 Shs.'000
Interest received	27,063	48,258
Property rentals	12,466	10,427
Dividends received	2,716	730
Fair value loss on investment properties	(31,527)	-
	10,712	59,415
Fair value loss on investment properties as above	(31,527)	-
Fair value loss included within Subsidiaries operating loss	(14,000)	-
	(45,527)	-

(b) Long-term insurance business

	Individual Life Shs.'000	Super Annuation Shs.'000	General Fund Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Interest received	61,286	22,975	1,969	86,230	65,703
Property rentals	8,015	907	259	9,182	33,546
Dividends received	3,883	436	125	4,444	523
other income	105	12	3	120	10,294
Surplus on disposal of fixed asset	170	19	5	195	1,688
Fair value gain on quoted shares	14	2	0	16	25,401
Investment income before revaluation of investment properties	73,474	24,351	2,362	100,187	137,155
Fair value loss on investment properties	(13,493)	(6,611)	(461)	(20,565)	(25,000)
	59,981	17,740	1,901	79,622	112,155

Of the Kshs.17,740,000 shown under Superannuation business, Kshs.8,588,354 relates to the Pension business as shown on the long term insurance business income statement under investment income.

6 Policyholder Benefits

	Individual Life Shs.'000	Super Annuation Shs.'000	2001 Total Shs.'000	2000 Total Shs.'000
Gross death and disability claims	9,048	72,041	81,089	21,424
Less: Amounts recovered from reinsurers	(162)	(59,764)	(59,926)	(4,677)
Net Death and disability claims	8,886	12,277	21,163	16,747
Maturities & Pension claims	54,520	10,864	65,384	43,987
Surrenders and bonuses	22,766	-	22,766	14,949
Annuities	46,336	-	46,336	41,199
Net policyholders' benefits paid	132,508	23,141	155,649	116,882

7 Exceptional items

	Long-term insurance business Shs.'000	General Insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Staff retrenchment costs	4,594	16,728	21,322	-
Restructuring expenses	-	2,150	2,150	-
Investment property impairment charge - Note 13(c)	169,811	-	169,811	-
Equipment impairment charge - Note 13(c)	-	-	-	16,017
	174,405	18,878	193,283	16,017

The retrenchment costs arose out of the closure of the in-house property department and the outsourcing of the management of the property portfolio to Knight Frank, a professional property management firm, as well as a reorganisation of staff in the general insurance business division.

Restructuring expenses were incurred on fees for professional advice for the planned separation of the two lines of business to independent companies.

Investment property impairment charge is discussed under note 13(c).

Exceptional items relating to the long-term insurance business have been charged to the long term revenue account while those relating to general insurance business have been charged to the profit and loss account.

38 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

8 Finance income/(costs)

(a) Group

Interest income - Credited to profit and loss account

(b) Company

Interest income

Long-term insurance business - Note 5(b)

General insurance business - Note 5(a)

Interest on bank overdraft charged to general insurance revenue accounts as part of expenses

9 Tax

(a) Group

Current tax

Deferred tax - Note 30 (a)

Share of tax of associate - Note 17

Tax (credit)/ charge

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:

Loss before tax

Corporation tax credit/(charge) at 30 %

Tax effect of :

Deferred tax asset not recognised - Note 30(b)

Expenses not deductible for tax purposes

Tax credit /(charge)

(b) Company

Current tax

Deferred tax - Note 30(b)

Share of tax of associate - Note 17

Tax credit /(charge)

10 Loss 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:

Parent Company's net loss for the year (including share of profit of associate)

Add :

Company's share of subsidiary companies' net loss for the year

Group loss attributable to the shareholders of Pan Africa Insurance Company Limited

11 Loss per Share

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

Net loss attributable to shareholders

Weighted average number of ordinary shares in issue (thousands)

Loss per share (Shs)

There were no potentially dilutive shares outstanding at 31 December 2001.

	Total 2001 Shs.'000	Total 2000 Shs.'000
	-	1,840
	86,230	65,703
	27,063	48,258
	113,293	113,961
	(4,645)	(3,307)
	2001 Shs.'000	2000 Shs.'000
	266	6,596
	(7,315)	1,508
	1,241	2,282
	(5,808)	10,386
	(158,103)	(54,661)
	47,431	16,398
	(33,675)	(17,332)
	(7,948)	(9,452)
	5,808	(10,386)
	(1,388)	(3,033)
	1,241	(2,282)
	147	(5,315)
	2001 Shs.'000	2000 Shs.'000
	(93,560)	(51,172)
	(58,735)	(13,875)
	(152,295)	(65,047)
	Group 2001 Shs.'000	2000 Shs.'000
	(152,295)	(65,047)
	48,000	44,601
	(3.17)	(1.46)

12 Property and equipment

(a) Group

	Land & buildings shs.'000	Motor vehicles shs.'000	Furniture, fixtures & fittings shs.'000	Computer Equipment Total shs.'000	2001 Total shs.'000
Cost or valuation:					
At start of year	176,587	21,749	253,599	38,379	490,314
Additions	-	6,537	11,927	7,759	26,223
Transfer from investment properties - Note 13	215,501	-	-	-	215,501
Revaluation surplus	7,861	-	-	-	7,861
Impairment charge - Note 12(c)	(1,688)	-	(6,268)	-	(7,956)
Reclassified to investment properties - Note 13	(27,000)	-	-	-	(27,000)
Reclassified to land and development - Note 22	(100,934)	-	-	-	(100,934)
Disposals	-	(12,758)	(448)	-	(13,206)
At end of year	270,327	15,528	258,810	46,138	590,803
Depreciation:					
At start of year	8,461	15,342	162,608	25,588	211,999
Charge for the year	9,169	2,472	21,385	8,222	41,248
Disposals	-	(7,008)	(447)	-	(7,455)
At end of year	17,630	10,806	183,546	33,810	245,792
At 31 December 2001	252,697	4,722	75,264	12,328	345,011
Long-term insurance business	215,501	1,481	14,108	8,331	239,421
General insurance business	37,196	3,241	61,156	3,997	105,590
At 31 December, 2000	168,125	8,537	90,598	13,183	280,443

(b) Company

At start of year	-	15,759	179,111	37,759	232,629
Reclassification from Investment properties - Note 13(b)	215,501	-	-	-	215,501
Revaluation surplus	7,861	-	-	-	7,861
Additions	-	6,537	11,087	7,646	25,270
Disposals	-	(11,230)	(448)	-	(11,678)
At end of year	223,362	11,066	189,750	45,405	469,583
Depreciation:					
At start of year	-	10,668	143,047	25,074	178,789
Charge for the year	7,861	2,143	11,713	8,156	29,873
Disposals	-	(5,750)	(447)	-	(6,197)
At end of year	7,861	7,061	154,313	33,230	202,465
At 31 December 2001	215,501	4,005	35,437	12,175	267,118
Long-term insurance business	215,501	1,481	14,108	8,331	239,421
General insurance business	-	2,524	21,329	3,844	27,697
At 31 December, 2000	215,501	4,005	35,437	12,175	267,118
	-	7,220	36,064	12,683	55,967

(c) The impairment charge of Kshs 7,956,000 relates to a write down of fixed assets on discontinued operation in one of the subsidiary companies (note 1(b)). In the previous year, an impairment charge of Kshs.16,017,000 related to write down of air conditioning equipment in one of the properties.

(d) No depreciation has been charged in arriving at the results for the year in respect of certain fixed assets with a gross value of Shs.121,899,523 (2000-Shs. 102,201,000), which are 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.14,811,740 (2000-Shs.13,814,000).

40 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

13 Investment properties

(a) Group

	Long-term insurance business Shs.'000	General insurance business Shs.'000	2001 Shs.'000	2000 Shs.'000
At start of year	647,375	569,527	1,216,902	1,232,027
Additions during the year	16,191	-	16,191	19,875
Reclassification to property and equipment - Note 12(a)	(215,501)	-	(215,501)	-
Investment property impairment charge	(169,811)	-	(169,811)	-
Reclassification from property, plant & equipment - Note 12(a)	-	27,000	27,000	-
Fair value loss	(20,565)	(35,527)	(56,092)	(35,000)
At end of year	257,689	561,000	818,689	1,216,902

(b) Company

	Long-term insurance business Shs.'000	General insurance business Shs.'000	2001 Shs.'000	2000 Shs.'000
At start of year	647,375	569,527	1,216,902	1,232,027
Additions during the year	16,191	-	16,191	19,875
Reclassification to property and equipment - Note 12(b)	(215,501)	-	(215,501)	-
Investment property impairment charge	(169,811)	-	(169,811)	-
Fair value loss	(20,565)	(31,527)	(52,092)	(35,000)
At end of year	257,689	538,000	795,689	1,216,902

The revaluation of investment properties was last carried out by Lloyd Masika Limited, professional independent valuers as at 31 December 2001. The basis of valuation was open market value. The fair value losses arising from the revaluation has been offset against investment income for both Long-term and general insurance business. (Note 5) Previous years' fair value gains/(losses) were credited/debited to the revaluation reserves for general insurance business. To comply with IAS 40, these reserves amounting to Kshs. 555m have been transferred to retained earnings while the current years' losses amounting to shs. 31.5m have been offset against investment income. Investment property held by the subsidiary company, valued at 27m was previously classified as property plant and equipment. During the year, these have been transferred to investment properties while the accumulated reserves thereon have been credited to retained earnings. In compliance with IAS 40, certain properties belonging to the long term insurance business valued at Kshs 215.5m have been reclassified from investment properties to property and equipment.

(c) Investment property impairment charge

Further to the valuation of investment properties by professional independent valuers, the directors made a decision to provide for the impairment of certain investment properties to match the rental yields of the properties to their carrying value. This has resulted in an impairment charge of Kshs. 169,811,000 shown as an exceptional item.

This is discussed further under note 29.

14 Government securities (Group and company)

	Long-term insurance business Shs.'000	General insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Treasury bills and bonds:				
Maturing within 91 days of the date of acquisition	154,950	-	154,950	51,800
Maturing after 91 days of the date of acquisition	251,550	64,400	315,950	141,250
	406,500	64,400	470,900	193,050

15 Quoted ordinary shares

Group and Company

	Long-term insurance business Shs.'000	General insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
At start of year	39,506	27,020	66,526	35,105
Additions	-	-	-	945
Fair value gains/(losses)	17	(12,784)	(12,767)	30,476
At end of year	39,523	14,236	53,759	66,526

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. The fair value losses arising from the revaluation of the shares have been included in investment income in respect of long-term insurance business (Note 5(b)) and debited to the revaluation reserves in respect of general insurance business (Note 28(b)).

16 Unquoted ordinary shares

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

	Total 2001 Shs.'000	Total 2000 Shs.'000
(a) The Group		
At start of year	70,870	66,622
Additions:		
Investment in the shares of East Africa Reinsurance Company Limited	-	4,248
At end of year	<u>70,870</u>	<u>70,870</u>
(b) Company		
At start of year	164,303	160,055
Additions:		
Investment in the shares of East Africa Reinsurance Company Limited	-	4,248
At end of year	<u>164,303</u>	<u>164,303</u>
Comprising:		
Investments in Subsidiary companies	93,433	93,433
Other unquoted investments	<u>70,870</u>	<u>70,870</u>
	<u>164,303</u>	<u>164,303</u>
(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 of land
Runda Water Limited*	100%	Water distribution and estate management
Chem Chemi Limited*	100%	Water purification and distribution

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

17 Investment in associated Company (Group and Company)

The associated company, Reliance Insurance Company Tanzania limited, in which the Company has a 30% interest is incorporated in Tanzania and conducts general insurance business.

	2001 Shs.'000	2000 Shs.'000
At start of year	25,081	18,877
Share of results before tax	4,136	8,486
Adjustment for 2000 audited profits	(2,833)	-
	<u>1,303</u>	<u>8,486</u>
Share of tax	(1,241)	(2,282)
At end of year	<u>25,143</u>	<u>25,081</u>

The net share of the results of the associated company, Reliance Insurance Company (Tanzania) Limited, is based on management accounts for the year ended 31 December 2001, adjusted for the impact of the audit of the prior year financial statements.

18 Assigned capital

In line with the objectives of the rights issue exercise concluded in 2000, it was the intention of the board to use the proceeds arising from African Life Assurance Company Limited through its shareholding in Hubris Limited to fund growth in the individual life business. The assignment of Kshs.527,261,000 to the Long-term insurance business comprises the net proceeds referred to above together with intra-business balances existing as at 1 January 2001. The General insurance business has been assigned Kshs.630,401,000.

42 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

19 Prior year adjustment- Long term insurance business

The prior year adjustment under long term insurance business in 2000 arose out of a change in accounting policy with regard to recognising recurring individual life premium income from a receipt basis to recording the same on policy anniversary dates.

20 Mortgage loans (Group and Company)

	Long-term insurance business Shs.'000	General Insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
At start of year	41,627	73,006	114,633	111,521
Loans made	14,604	24,091	38,695	14,317
Loan repayments	(2,808)	(5,726)	(8,534)	(11,205)
At end of year	53,423	91,371	144,794	114,633
Amounts approved by the directors but not advanced as at 31 December	5,000	3,907	8,907	20,000
Maturity profile of mortgage loans				
Loans maturing :				
Within 1 year	416	821	1,237	521
In 1- 5 years	2,603	2,810	5,413	3,513
in over 5 years	50,404	87,740	138,144	110,599
	53,423	91,371	144,794	114,633
Loans at:				
Concessionary rates	53,423	80,522	133,945	101,682
Market rates		10,849	10,849	12,951
	53,423	91,371	144,794	114,633

21 Policy loans (Group and Company)

	Total 2001 Shs.'000	Total 2000 Shs.'000
At start of year	71,183	62,809
Loans made	32,992	31,563
Loan repayments	(25,340)	(23,189)
At end of year	78,835	71,183

22 Land and Development: (Group)

	Total 2001 Shs.'000	Total 2000 Shs.'000
At start of year	216,736	304,489
Transfer from fixed assets - Note 12(a)	100,934	-
Restatement to historical cost	(315,806)	-
Deferred development costs	36,388	41,208
Cost of plots sold	(10)	(87,753)
At end of year	38,242	257,937

Land and Development previously forming part of the coffee business has been transferred from fixed assets.
Land and development, owned by a subsidiary company, was held for capital appreciation and stated at revalued amounts.
During 2001, the Directors resolved that land be held for resale. Consequently, the land has been restated to historical cost.

23 Bank balances, deposits and cash

	Group		Company	
	2001 Shs.'000	2000 Shs.'000	2001 Shs.'000	2000 Shs.'000
Cash at bank and in hand	76,138	51,914	69,493	47,430
Short term bank deposits	272,225	523,260	272,255	523,260
At end of year	348,363	575,174	341,748	570,690
Comprising:				
Long-term insurance business	298,132	503,034	298,132	503,034
General insurance business	50,231	72,140	43,586	67,656
	348,363	575,174	341,718	570,690

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

	Group 2001 Shs.'000	Group 2000 Shs.'000	Company 2001 Shs.'000	Company 2000 Shs.'000
Cash and bank balances	50,231	72,140	43,586	67,656
Bank overdraft	(25,234)	(24,333)	(25,234)	(23,352)
At end of year	24,997	47,807	18,352	44,304

24 Other amounts receivable

(a) Group

	Long-term insurance business Shs.'000	General Insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Rent outstanding	20,492	6,718	29,210	41,816
Accrued Interest	603	3,646	4,249	13,423
Plot debtors	-	33,880	33,880	38,513
Cost of investment in the College of Insurance	-	1,171	1,171	1,171
Deferred acquisition costs	-	14,923	14,923	12,187
Trade debtors	39,207	46,716	85,923	40,886
At end of year	62,302	107,054	169,356	147,996

(b) Company

	Long-term insurance business Shs.'000	General Insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Rent outstanding	22,492	6,718	29,210	41,816
Accrued Interest	603	3,646	4,249	13,423
Cost of investment in the College of Insurance	-	1,171	1,171	1,171
Due from subsidiary company	-	40,356	40,356	18,446
Deferred acquisition costs	-	14,923	14,923	12,187
Trade debtors	37,457	38,069	75,526	31,750
At end of year	60,552	104,883	165,435	118,793

44 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

25 Stocks (Group)

	2001 Shs.'000	2000 Shs.'000
Coffee stock (at net realisable value)	-	1,915
At end of year	-	1,915

26 Share Capital

	2001 Shs.'000	2000 Shs.'000
At start of year	240,000	120,000
Rights issue	-	120,000
At end of year	240,000	240,000

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

27 Share premium

On 16th 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 a share premium arising of Shs.364,431,000.

28 Revaluation reserves

(a) Group

	2001 Shs.'000	2000 Shs.'000
Investment properties	-	555,242
Quoted shares	(32,889)	(20,105)
Land and development	-	135,391
Plant and machinery	7,818	7,818
Land and buildings	37,619	156,307
Waterworks	18,836	18,836
Reserves arising on consolidation	(33,140)	(33,140)
	(1,756)	820,349

(i) The movements in each category of reserves were as follows:

Investment properties

At start of year	555,242	565,242
Revaluation deficit	-	(10,000)
Transfer to retained earnings on adoption of IAS 40	(578,058)	-
Reclassification from land & buildings - Note (v) below	22,816	-
At end of year	-	555,242

(ii) Quoted shares

At start of year	(20,105)	(25,181)
Fair value(loss)/gain - Note 15	(12,784)	5,076
At end of year	(32,889)	(20,105)

(iii) Land and development

At start of year	135,391	196,804
Release of deferred tax in respect of plots sold	-	26,320
Transfer of the realised surplus on plots sold	-	(87,733)
Reclassification on transfer of fixed assets to land and development - Note (v) below	92,094	-
Reversal of deferred tax on restatement to historical cost - Note 30(a)	88,321	-
	315,806	135,391
Release on restatement to historical cost - Note 22	(315,806)	-
At end of year	-	135,391

(iv) Plant and machinery

At start and end of year	7,818	7,818
--------------------------	-------	-------

	2001 Shs.'000	2000 Shs.'000
(v) Land and buildings		
At start of year	156,307	154,103
Deferred tax on revaluation surplus	-	2,204
Reclassification on transfer of assets to investment properties - Note (i)	(22,816)	-
Reclassification on transfer of fixed assets to land and development - Note (iii)	(92,094)	-
Deferred tax on transfer of excess depreciation	1,520	-
	<u>37,619</u>	<u>156,307</u>
(vi) Water works		
At start and end of year	<u>18,836</u>	<u>18,836</u>
(b) Company		
Investment properties	-	555,242
Quoted shares	(32,889)	(20,105)
	<u>(32,889)</u>	<u>535,137</u>
The movements in each category of reserves were as follows:		
(i) Investment property		
At start of year	555,242	565,242
Revaluation deficit	-	(10,000)
Transfer to retained earnings on the adoption of IAS 40 - Note 13(b)	(555,242)	-
At end of year	<u>-</u>	<u>555,242</u>
(ii) Quoted shares		
At start of year	(20,105)	(25,181)
Fair value (loss)/gain - Note 15	(12,784)	5,076
At end of year	<u>(32,889)</u>	<u>(20,105)</u>
(c) Retained earnings		
(i) Group		
At start of year		
As previously stated	125,676	186,274
Effect of adopting IAS 40	578,058	-
As restated	703,734	186,274
Transfer of excess depreciation	5,068	4,449
Deferred tax on transfer	(1,520)	-
Net loss for the year	(152,295)	(65,047)
At end of year	<u>554,987</u>	<u>125,676</u>
Comprised of:		
Revenue reserves	12,456	125,676
Retained earnings relating to revaluation of investment properties	542,531	-
(ii) Company		
At start of year		
As previously stated	173,046	224,217
Effect of adopting IAS 40	555,242	-
As restated	728,288	224,217
Net loss for the year	(93,560)	(51,171)
At end of year	<u>634,728</u>	<u>173,046</u>
Comprised of:		
Revenue reserves	111,013	173,046
Retained earnings relating to revaluation of investment properties	523,715	-

Distribution of retained earnings arising out of revaluation of investment properties is restricted by the Commissioner of Insurance.

46 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

29 Life funds (Group and Company)

(a) Statutory funds

	Individual Life funds Shs.'000	Group Life funds Shs.'000	Pension funds Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
At start of year	758,502	7,081	76,984	842,567	710,855
Transfer the general fund	-	-	-	-	100,000
Transfer from shareholders' funds	297,000	-	-	297,000	-
Intra-funds transfer	9,208	(9,208)	-	-	-
Exceptional items	(174,405)	-	-	(174,405)	-
Increase from normal operations during year	10,500	92,241	19,518	122,259	31,712
	142,303	83,033	19,518	244,854	131,712
At end of year	900,805	90,114	96,502	1,087,421	842,567

The statutory funds, which comprise the Individual life fund and Superannuation funds were established in 1990 by the company in respect of its long-term insurance business as required under Section 45 of the Insurance Act. The components of the Superannuation funds namely, group life funds and pension funds are now accounted for and disclosed separately.

The latest actuarial valuation of the life fund was carried out by the consulting actuaries as at 31 December 2001.

While the group life and pension lines of business revealed healthy actuarial surpluses, individual life business indicated an actuarial deficit of Kshs.13.8 million arising mainly from new business strain in 2001. The deficit in the life fund was increased further by the decision of the directors to recognise an impairment charge on certain investment properties amounting to Kshs.169.8 million as well as a 4% bonus declaration to with profits individual life policies.

In addition, the Actuary was requested to estimate the effect of new business strain over the next eighteen months. In order to finance all the above costs, the directors authorised a transfer of Kshs.297m from shareholders' funds to the individual life fund. These funds form part of the rights issue proceeds specifically raised to fund growth in the individual life business. Kshs.9.2m has also been credited to the same fund from part of the surplus arising out of the Group life business, limited to 30% of the surplus as allowed under the Insurance Act.

(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 this fund to the profit and loss account and the statutory funds are made on the recommendation of the actuary.

30 Deferred tax

Deferred tax is calculated, in full, on all temporary differences using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	Group		Company	
	2001 Shs.'000	2000 Shs.'000	2001 Shs.'000	2000 Shs.'000
At start of year	125,654	152,440	(2,723)	(5,757)
Profit and loss account - Note 9(a)	(7,314)	1,508	(1,388)	3,034
Release in respect of plots sold - Note 28(a)	-	(26,320)	-	-
Released on restatement of land & buildings to historical costs - Note 28	(88,321)	-	-	-
Deferred tax on transfer of excess depreciation - Note 28(a)	-	(1,974)	-	-
At end of year	30,019	125,654	(4,111)	(2,723)

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

	At 1 January 2001 Shs.'000	Charged (Credited) to profit and loss Shs.'000	Charged (Credited) to equity Shs.'000	At 31-12-2001 Shs.'000
Deferred tax liabilities				
Accelerated tax depreciation	14,103	(2,538)	-	11,565
Property revaluations	-	-	-	-
Land and development	41,971	-	(41,971)	-
Property, plant and equipment	60,267	(1,944)	(46,349)	11,974
Deferred development costs	12,360	(1,445)	-	10,915
	<u>128,701</u>	<u>(5,927)</u>	<u>(88,320)</u>	<u>34,454</u>
Deferred tax assets				
Accelerated accounting depreciation	(2,723)	(1,388)	-	(4,111)
Provisions	(183)	-	-	(183)
Other	(141)	-	-	(141)
	<u>(3,047)</u>	<u>(1,388)</u>	<u>-</u>	<u>(4,435)</u>
Net deferred tax liability	<u>125,654</u>	<u>(7,315)</u>	<u>(88,320)</u>	<u>30,019</u>

(b) Company

	At 1 January 2001	Credit to Life fund / Profit & Loss	At 31-12-2001
Accelerated depreciation - Note 28(b)	(2,723)	(1,388)	(4,111)
Net deferred tax asset	<u>(2,723)</u>	<u>(1,388)</u>	<u>(4,111)</u>

A deferred tax asset arising from trading losses of the general business and subsidiary companies has not been recognised in these accounts as future profits of the group may not be sufficient to utilise the temporary differences. This is due to the impending restructuring of the company (note 38) and the trading losses incurred by the subsidiary companies.

31 Other payables

(a) Group

	Long-term insurance business Shs.'000	General insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Rent Creditors	9,511	945	10,456	16,214
Deposits received in advance	6,450	11,933	18,383	9,030
Gratuity	4,010	-	4,010	-
Pan Africa Insurance Charitable Trust	-	7,095	7,095	7,105
Other creditors and accruals	65,158	112,292	177,450	88,060
	<u>85,129</u>	<u>132,265</u>	<u>217,394</u>	<u>120,409</u>

(b) Company

	Long-term insurance business Shs.'000	General insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
Rent Creditors	9,511	945	10,456	16,214
Deposits received in advance	6,450	11,933	18,383	-
Gratuity	4,010	-	4,010	-
Pan Africa Insurance Charitable Trust	-	7,095	7,095	7,105
Other creditors and accruals	65,158	66,563	131,721	75,734
	<u>85,129</u>	<u>86,536</u>	<u>171,665</u>	<u>99,053</u>

48 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

32 Borrowings

	Long-term insurance business Shs.'000	General Insurance business Shs.'000	Total 2001 Shs.'000	Total 2000 Shs.'000
(a) Group				
Premium financing	32,184	17,857	50,041	-
Bank Overdraft	-	25,234	25,234	24,334
	<u>32,184</u>	<u>43,091</u>	<u>75,275</u>	<u>24,334</u>
(a) Company				
Premium financing	32,184	17,857	50,041	-
Bank Overdraft	-	25,234	25,234	23,352
	<u>32,184</u>	<u>43,091</u>	<u>75,275</u>	<u>23,352</u>

Premium financing in both divisions relate to borrowings by insureds where the Company has entered into agreements with financiers to refund outstanding balance of borrowing in the event of default by the borrower. The company had received full premiums during the year. The above amounts relate to premiums for the unexpired period as at year end. The company's overdraft facilities are secured by investments in treasury bills and bonds.

33 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;

	2001 %	2000 %
Deposits with financial institutions	9.20	9.70
Government securities	12.72	12.20
Short term bank deposits	7.00	11.50
Mortgage loans	7.00	7.00
Borrowings	20.10	23.00
Policy loans	16.00	14.00

34 Commitments

Capital commitments

There were no capital commitments contracted but not recorded 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;

	2001 Shs.'000	2000 Shs.'000
Not later than one year	<u>10,037</u>	<u>3,414</u>



35 Contingencies

At 31 December 2001, the group had contingent liabilities in respect of bank guarantees amounting to Kshs. 3,300,000 arising in the ordinary course of business from which is anticipated that no material liabilities will arise. The company has instituted legal proceedings against certain former directors for breach of their fiduciary duty. It has also filed defence against a former director who is claiming damages for wrongful dismissal.

36 Related party transactions Group and Company

(1) Mortgage loans to former Directors and related companies

(a) Loans at concessionary rates

	At 01-01-2001	Advanced in 2001	Repay- ments	At
	Shs.'000	Shs.'000	Shs.'000	31-12-2001 Shs.'000
Principal amount	50,215	2,200	(10,120)	42,295
Interest on loans	293	2,155	(573)	1,875
	<u>50,508</u>	<u>4,355</u>	<u>(10,693)</u>	<u>44,170</u>

These were loans issued to former directors and their related companies. These directors relinquished their directorships in July 2001. The loans have been converted to loans at market rates in 2002.

(b) Loans at market rates

	At 01-01-2001	Advanced in 2001	Repay- ments	At
	Shs.'000	Shs.'000	Shs.'000	31-12-2001 Shs.'000
Principal amount	17,439	347	(6,937)	10,849
Interest on loans	338	3,008	(3,255)	91
	<u>17,777</u>	<u>3,355</u>	<u>(10,192)</u>	<u>10,940</u>

(2) Other related party transactions

(a) Insurance related transactions

Balances with other related parties are as follows;

	2001 Shs.'000	2000 Shs.'000
East Africa Reinsurance Company Limited	(855)	1,050
Reliance Insurance Company Tanzania Limited	1,792	(1,147)
African Life Assurance Company Limited	(5,700)	(1,253)
	<u>(4,763)</u>	<u>(1,350)</u>

These arise from the following transactions:

(i) Net premiums ceded / (receivable)

East Africa Reinsurance Company Limited	587	1,512
Reliance Insurance Company Tanzania Limited	(342)	(1,205)
African Life Assurance Company Limited	28,199	-
At end of year	<u>28,444</u>	<u>307</u>

(ii) Claims recoverable

East Africa Reinsurance Company Limited	-	-
---	---	---

50 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

(b) Expenses incurred by or 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, the principal shareholder. Similarly, certain expenditure of the Company has been met by African Life Assurance Company Limited which will be reimbursed to them. The cumulative effect of these transactions as at 31 December 2001 are:

	At start of year Shs.'000	Transactions during the year Shs.'000	At end of year Shs.'000
Receivable from African Life Assurance Company Limited	1,937	1,690	3,627
Payable to African Life Assurance Company Limited	(3,190)	(6,137)	(9,327)
	(1,253)	(4,447)	(5,700)

The amount payable to African Life Assurance Limited can be further analysed as follows:

	At start of year Shs.'000	Transactions during the year Shs.'000	At end of year Shs.'000
Long-term Insurance Business	1,595	2,500	4,095
General Insurance Business	1,595	2,500	4,095
Mae Properties	-	1,137	1,137
	3,190	6,137	9,327

(3) Loans to senior staff of the Company

	At start of year shs.'000	Additions shs.'000	Repayments shs.'000	At end of year shs.'000
Loans on mortgage	24,826	37,328	(4,068)	58,086
Car loans	3,357	1,876	(2,268)	2,965
	28,183	39,204	(6,336)	61,051

Mortgage loan balances and movements thereon are in respect of loans extended to senior staff members at concessionary rates.

(4) Directors fees

(a) Group

		Total 2001 Shs.'000	Total 2000 Shs.'000
Directors' remuneration	: Fees	2,150	4,795
	: For management	18,936	7,587
		21,086	12,382

(b) Company

Directors' remuneration	: Fees	1,501	887
	: For management	18,936	7,587
		20,437	8,474

37 Restructuring of the Company

The proposed restructuring of the company approved at an extra-ordinary General Meeting of the company held on 8 December 2000 commenced late in 2001 and is expected to be concluded in the course of 2002. These financial statements have been drawn up on the basis of the existing structure.

51 - ADMINISTRATION

LONG TERM INSURANCE BUSINESS

EXECUTIVE COMMITTEE

AD Greenwood - CA(SA),ACA (Aus) - Executive Director - Life
G Kioi - BSc(Hons),MBA,CPA(K),CPS(K) - General Manager - Fin. & Inv.
JM Muiruri - BSc(Hons),ACII - General Manager - Life
GJ Richter - BA,BA(Hons) - National Sales Manager
RK Murithi - Divisional Manager - Life
W Ngari - BSc(Hons),ACII - Training Manager

UNIT LEADERS

S Chege - BCom, CPA(K), CPS(K) - Premium Administration
D Mugun - BCom - Marketing Manager - Eastern Zone
S Mwangi - Finance
C Mweru(Miss) - BCom - Customer Service
J Njenga(Mrs) - BEd - Corporate Business
C Njehia(Mrs) - BA - New Business
F Ogwel - BA - Marketing Manager - Western Zone
J Tari - BCom, MBA - Benefit Payments
J Wamwea - BSc, Dip. CS, MCSE, UNIX ACE - Information Technology
N Waruinge(Ms) - BA, ACII - Premium Liaison
R Waweru-Kirueya(Mrs) - Dip. CS - Information Technology

AGENCY MANAGERS

T Amina(Mrs) - BEd - Nakuru Agency
J Amunga - BEd - Eldoret Agency
K Bow - Nyeri Agency
J Gatoto - BEd - Nairobi Metro Agency
P Kitela - BSc - Thika Agency
C Murai - BEd - Mombasa Agency
J Mureithi - ACII - Meru Agency
J Ntutu(Mrs) - BSc - City Centre Agency
C Ogenche - BCom(Ins) - Kisii Agency
T Omiti - BCom(Ins) - Kisumu Agency

GENERAL INSURANCE BUSINESS

EXECUTIVE COMMITTEE

D Lacey - BCom(Hons), MBL, FCII, FIISA - Chief Executive
B Ambunya(Miss) - LLB - Claims Manager
KM Kimani - ACII - General Manager
A Macharia - BSc - Information Technology
P Ndegwa(Miss) - BA, ACII - Marketing Manager
A Ngetha - BCom, ACII - Reinsurance Manager
G Ngure - BCom(Hons) - Chief Accountant
F Wokabi(Mrs) - BA - Underwriting Manager

ASSISTANT MANAGERS

M Kabiru - BCom - Accounts
J Kamande(Mrs) - LLB, Dip. Laws - Claims
G Mugo(Mrs) - BCom, ACII - Underwriting
M Mugo(Miss) - BCom, ACII - Underwriting
J Mutisya - Credit Control
G Ndungu - BA, ACII - Marketing
A Njoroge(Mrs) - BA - Claims

REGIONAL EXECUTIVES

A Gichuki - BCom - Rift Valley Region
F Kirema - BCom - Mt Kenya Region
D Makau - ACII - Coast Region
H Otiso - BCom - Western Region

CORPORATE DIVISION

S Gichuki

BA - Public Relations Officer

G Kioi

BSc(Hons),MBA,CPA(K),CPS(K) - Company Secretary

J Murengi(Mrs)

Bcom(Hons) - Internal Audit Manager

A Omita

BSc,MBA - Human Resources Manager

52 - 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
13, Zanaki Street
P.O Box 9826 • Dar-es-salaam
E-mail: reliance@cctz.com

Consulting Actuaries

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

Auditors

PricewaterhouseCoopers
The Rahimtulla Tower
P.O Box 43963
Nairobi

Bankers

Kenya

Commercial Bank of Africa Limited
Barclays Bank of Kenya Limited
Standard Chartered Bank (K) Limited
Credit 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

Branch Offices

Mombasa Office

Ambalal House, Nkrumah Road
P.O Box 90383
Tel: (011)311200 • Fax: 223622
Mombasa
E-mail: paicmsa@africaonline.co.ke

Nairobi Metro Agency Office

Pan Africa House, Kenyatta Avenue
P.O Box 10493
Tel: 247600 • Fax: 217675
Nairobi
E-mail: life-insure@africaonline.co.ke

City Centre Agency Office

Pan Africa House, Kenyatta Avenue
P.O Box 10493
Tel: 247600 • Fax: 217675
Nairobi
E-mail: life-insure@africaonline.co.ke

Kisumu Office

Al-Imran Plaza
Oginga Odinga Road • Tel: (035)41899
P.O Box 1884 • Fax: 22716
Kisumu
E-mail: paicksm@africaonline.co.ke

Nyeri Office

NDCU House • P.O Box 618
Tel: (0171)2730 • Fax: 4945
Tel: (0171)2732 (General Business)
Nyeri
E-mail: paicnyeri@africaonline.co.ke

Meru Office

Kenya Finance House
Tom Mboya Steet
P.O Box 1329 • Tel: (0164)20436
Fax: 20336 • Meru
E-mail: paicmeru@africaonline.co.ke

Thika Office

Thika Arcade
Kenyatta Highway
P.O Box 1144 • Tel: (0154)22123
E-mail: paicthika@africaonline.co.ke

Kisii Office

Shabana Building • P.O Box 288
Tel: (0381)30480, (Life Division)
Tel: (0381)30049- (General Division)
Fax: 31049 • Kisii
E-mail: paickisii@africaonline.co.ke

Eldoret Office

KVDA Plaza
Olloo/Utal Streets • Tel: (0321)61447
P.O Box 596 • Fax: 62680
Eldoret
E-mail: paiceld@africaonline.co.ke

Machakos Office

Red Cross Building
P.O Box 1852
Tel: (0145) 21484
Machakos
E-mail: paicmachakos@africaonline.co.ke

Embu Office

Mugo Gatungo Building
Kenyatta Highway
P.O Box 1804 • Tel: (0161)30039
Embu
E-mail: paicembu@africaonline.co.ke

Nakuru Office-Life Division

Giddo Plaza, Nbi-Eld Highway
P.O Box 15163
Tel: (037) 41643/91
Nakuru
E-mail: paicnakuru@africaonline.co.ke

Nakuru Office-General Division

Mache Plaza
P.O Box 12632 • Tel: (037)45603
Fax: 4560
Nakuru

53 - TOP TWENTY SHAREHOLDERS AS AT 31 MARCH 2002

		Number of Shares held	%
1	Hubris Holdings Limited	22,119,653	46.08
2	Co-op Trust Investment Services Limited-account no.11450	3,877,745	8.08
3	Thammo Holdings Limited	3,380,652	7.04
4	BC Patel	2,535,963	5.28
5	Kanchar Kenya Limited	2,025,028	4.22
6	Nak Enterprises Limited	1,767,255	3.68
7	Kenya Reinsurance Corporation Limited	921,440	1.92
8	Co-op Trust Investment Services Limited-account no.11451	899,977	1.87
9	Stanbic Nominees (Kenya) Limited	630,000	1.31
10	Financial Futures Limited	430,855	0.90
11	Balkan Properties Limited	394,984	0.82
12	JR Githere	269,357	0.56
13	Cannon Assurance (Kenya) Limited	262,962	0.55
14	GG Wanjiru	223,567	0.47
15	GMS Gaconjo	223,117	0.46
16	GJ Wanjiku	223,117	0.46
17	GA Wakanyi	223,117	0.46
18	PS Gulamhussein	207,291	0.43
19	Ositum Investments Limited	177,174	0.37
20	JW Mbugua	154,240	0.32
		40,947,524	85.31
	Number of shares in issue	48,000,000	

SHAREHOLDERS CALENDER

Financial year end	31st December
Announcement of results	24th April 2002
Annual report posted on or about	5th June 2002
Annual General meeting	28th June 2002



Wakala (ajenti)

Katibu,
Pan Africa Insurance Company Limited
Kenyatta Avenue
P O Box 62551
Nairobi.

WAKALA

Mimi/Sisi

wa anuani hii

nikiwa mwanachama/tukiwa wanachama wa Pan Africa Insurance Company Limited na nikiwa na haki ya kura

namchagua/twamchagua

wa sanduku la posta

na akiwa hatapata nafasi nimemchagua/tumemchagua

wa sanduku la posta

akiwa mwakilishi wangu/wetu kunipigia/kutupigia kura kwa niaba yangu/yetu katika mkutano wa Mwaka wa Kampuni utakaofanyika tarehe 28 Juni 2002 au tarehe yoyote iwapo mkutano utahairishwa

Nashuhudia/twashuhudia kwa mkono/mikono wangu/yetu siku hii ya tarehe

mwezi wa 2002

Sahihi

ELEWA:

Mwakala akiwa anaiwakilisha kampuni yoyote au shirika nilazima atumie muhuri rasmi wa Kampuni hiyo.

(Common seal)

Proxy form

The Secretary,
Pan Africa Insurance Company Limited,
Kenyatta Avenue,
P O Box 62551,
Nairobi.

PROXY

I/WE _____

of _____

being a member of Pan Africa Insurance Company Limited, and entitled to _____

votes hereby appoint _____

of _____

or failing him _____

of _____

as my/our Proxy to vote for me/us on behalf at the Annual General Meeting of the Company to held on 28 June 2002 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2002

Signature(s) of _____

NOTE:

In case of a Corporation, the Proxy must be made under its Common Seal.