PAN AFRICA INSURANCE HOLDINGS LIMITED

Annual Report & Financial Statements

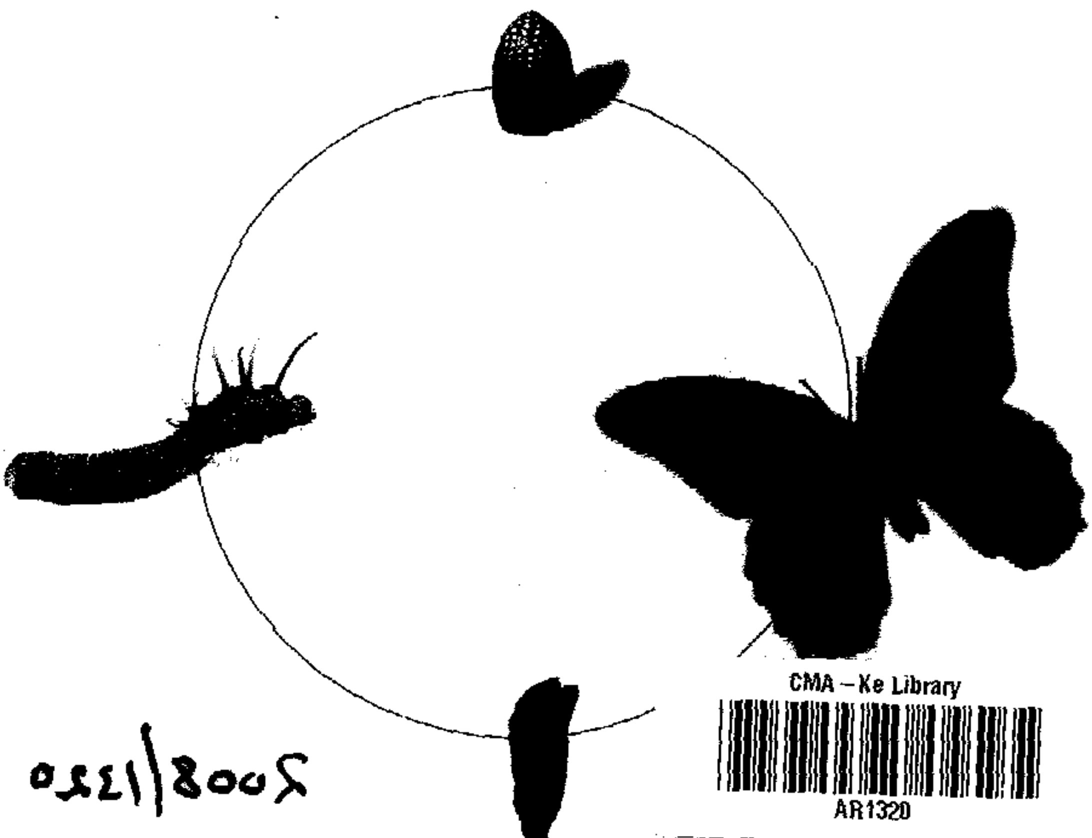
For the year ended 31 December 2007

Contents

...Flexible, progressive and dynamic

Life Insurance is an important protection for the lives of individuals, families and dependants in many ways: it can build savings, it can replace lost income, it can pay off debt, it can settle funeral expenses, it can provide for education and plan for retirement. So, in parallel to the butterfly's life cycle, we cover all our customers' needs in whatever stage of life they are in.

Pan Africa Life does this by providing a dynamic range of flexible and cost effective products that satisfy and exceed our customers wide range of requirements.



...Diversified, noble and nurturing

Life insurance is an important protection for the lives of individuals, families and dependants in many ways: *it can build savings, it can replace lost income*, it can pay off debt, it can settle funeral expenses, it can provide for education and plan for retirement. So, in parallel to the butterfly's life cycle, we cover *all our customers' needs in whatever* stage of life they are in.

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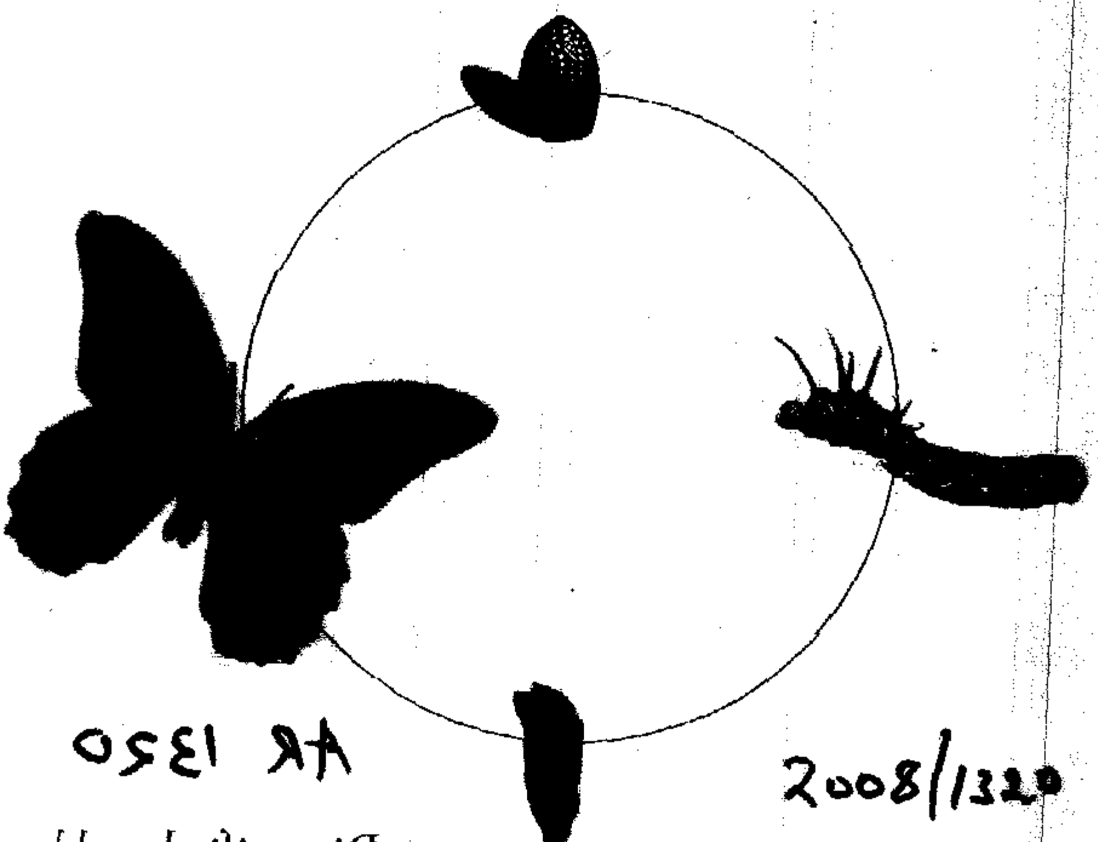

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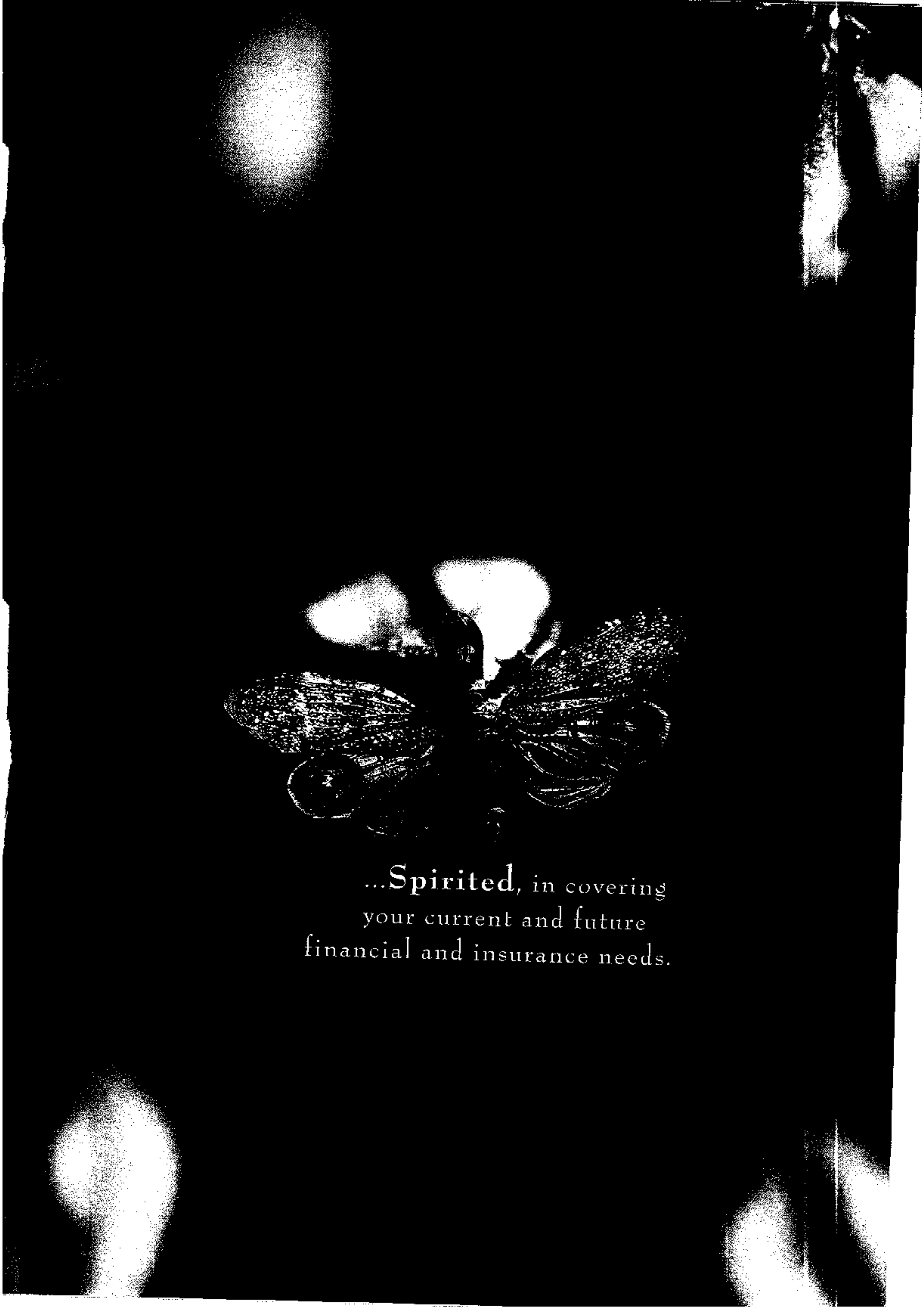

...Spirited, in covering
your current and future
financial and insurance needs.

2 Five Year Group Review

Profit and loss account (KShs million)

	2003 KShs'000	2004 KShs'000	2005 KShs'000	Restated 2006 KShs'000	2007 KShs'000
Investment return	337	194	219	404	422
Profit/ (loss) before income tax	(69)	91	175	451	204
Profit/ (loss) attributed to shareholders	(23)	93	176	425	201
Dividends	-	48	58	69	76

Long term insurance business

Gross premium income	793	941	1,169	1,397	2,070
Net premium income	701	790	1,031	1,248	1,834
Policyholder benefits paid	221	580	845	951	1,424

Balance Sheet

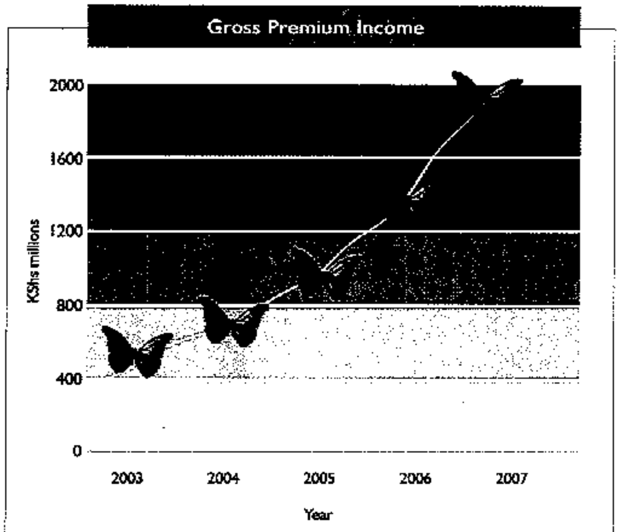
Shareholders' funds	604	799	931	1,303	1,438
Long term business funds	1,384	1,786	2,196	2,402	3,327
Share capital	240	240	240	240	240
Total assets	2,742	3,045	3,696	4,684	5,901

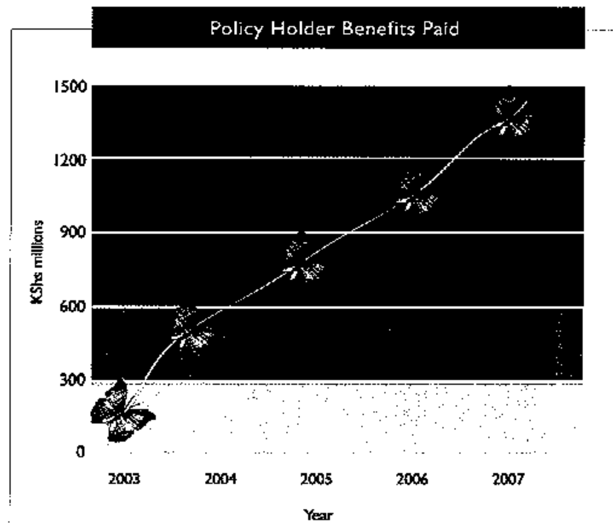
Key indicators

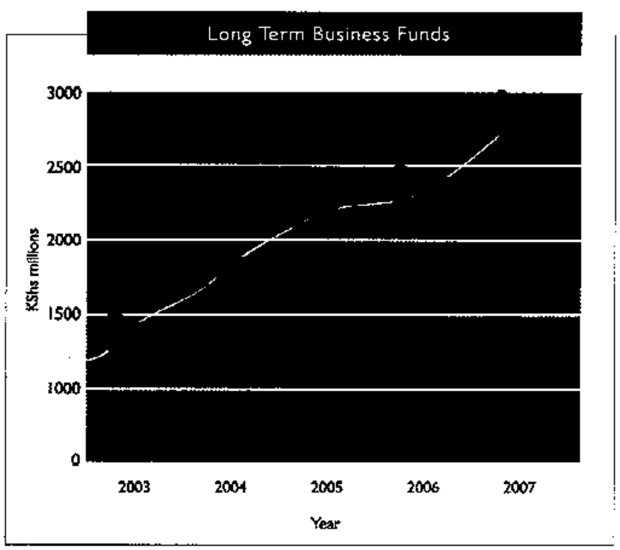
Basic and diluted earnings/ (loss) per share	(0.49)	1.95	3.68	8.87	4.19
Dividends per share	-	1.00	1.20	1.44	1.60
Market capitalisation at year end	1,128	1,032	1,920	4,392	4,800

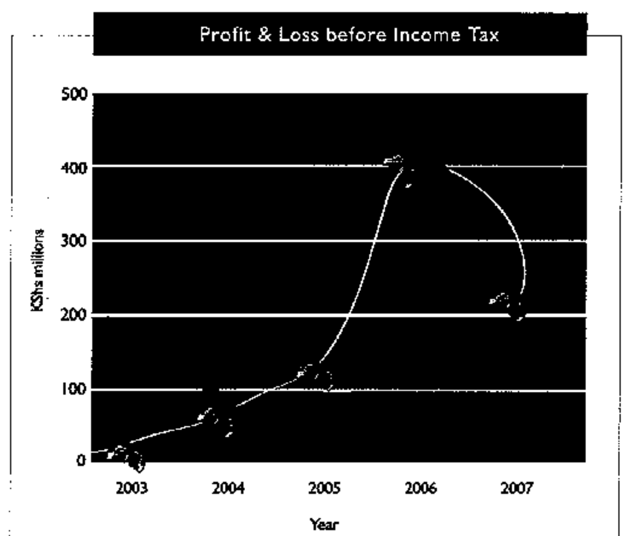
Company share prices at the NSE

High	25	35	42	100	122
Low	7	18	22	34	75
Share price at year end	24	22	40	92	100



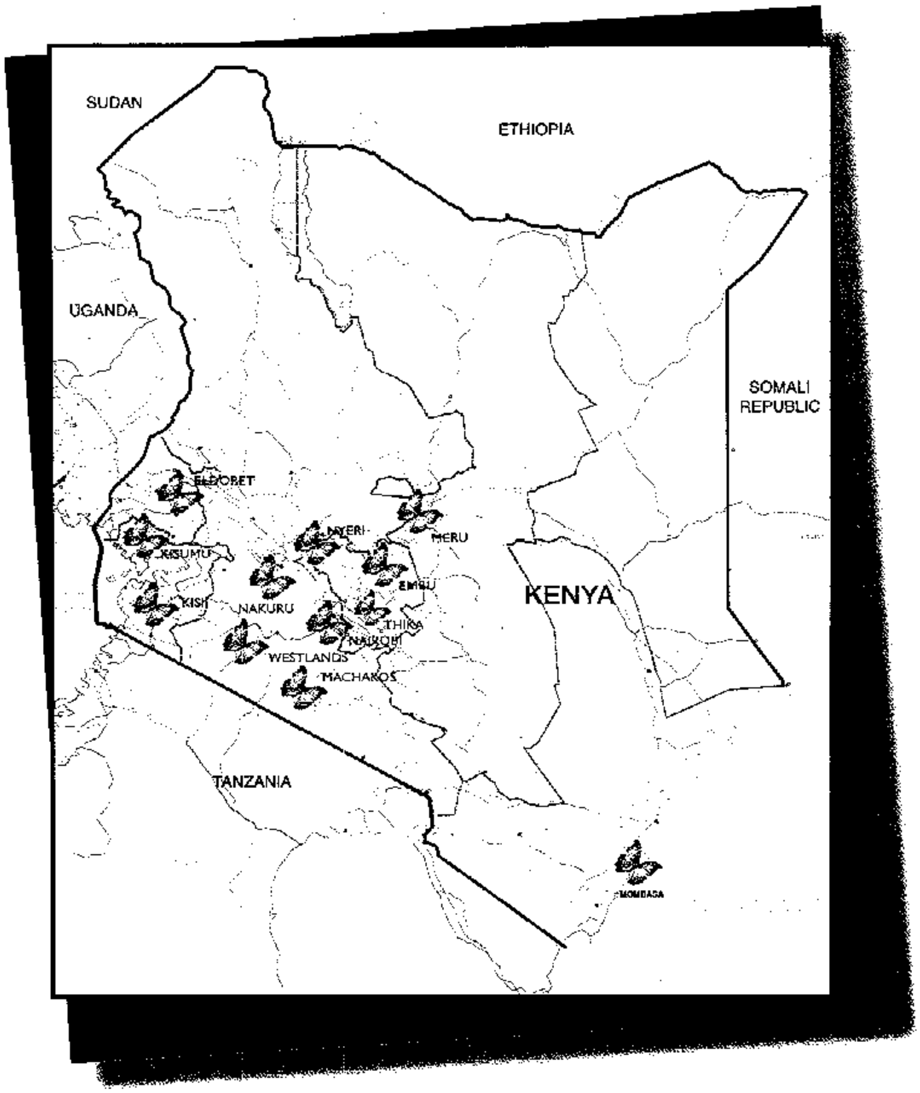






...Growing, advancing,
planning, achieving.

4 Branch Offices



- Eldoret • Embu • Kisii • Kisumu • Machakos • Meru
- Mombasa • Nairobi City Centre • Nairobi Mega
- Nakuru • Nyeri • Naivasha • Thika • Westlands
- And more to come...

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007 that discloses the state of affairs of the Company and its subsidiaries.

Incorporation

The Company was incorporated in Kenya on 26 October 1946 under certificate of incorporation number C.10/46 under the Companies Act (Chapter 486 of the Laws of Kenya) and is domiciled in Kenya.

The registered office of Pan Africa Insurance Holdings is:
Pan Africa Life House, 2nd Floor, Kenyatta Avenue,
P.O. Box 10493 Nairobi 00100

Principal Activities

The principal activity of the Group through it's subsidiary Pan Africa Life Assurance Limited is the underwriting of all classes of long-term insurance business as defined by the Insurance Act (Chapter 487 of the Laws of Kenya), with the exception of industrial life insurance. The Group has interests in a wholly owned investment company PA Securities Limited, and an associate general insurance company, APA Insurance Limited.

Results

The profit for the year of KShs 201,072,000 (2006: KShs 425,811,000) has been added to the retained earnings.

Dividends

The Directors will recommend the approval of a dividend of KShs 76,800,000 (2006: KShs 69,120,000) to the shareholders at the 62nd Annual General Meeting of the Company.

Financial Risk Management Objectives and Policies

The activities of the Company and its subsidiaries expose it to a variety of financial risks, including underwriting risk, credit risk and the effects of changes in debt and equity market prices, and interest rates. Therefore the risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance. These include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place to enable optimal liquidity management and to maximise returns within an acceptable level of risk.

Directors

The Board of Directors who served during the year and up to the date of this report are:

1)	John P N Simba	Chairman
2)	Andrew Greenwood	Resigned on 20 February 2008
3)	John Burbidge	
4)	Margaret Dawes	
5)	James Gitoho	
6)	Joshua Kituri	Resigned on 13 June 2007
7)	Baloobhai Patel	
8)	Heinie Werth	Resigned on 31 December 2007
9)	Douglas N Lacey*	Appointed 1 July 2007*
10)	William R Dommisse	Appointed 31 December 2007

*Alternate is Norman J Kelly appointed on 1 July 2007

- In accordance with the Company's Articles of Association, Baloobhai Patel retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.
- In accordance with the Company's Articles of Association, John Burbidge retires by rotation at the forthcoming Annual General Meeting and he will not offer himself for re-election.
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- In accordance with the Company's Articles of Association, William R Dommisse retires this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for re-election.

Auditors

The company's auditors, Ernst & Young, have expressed their willingness to continue in office in accordance with section 159 (2) of the Company's Act.

John P. N. Simba
Chairman

4 March 2008

8 Management Team

TOM GITOGO (39)

Tom Gitogo joined Pan Africa Insurance Holdings Ltd in May 2007 as the General Manager for Individual Life. He holds a Bachelor of Science degree in Civil Engineering, and is a Chartered Accountant, CPA (K), CPS (K) as well as a member of the institute of chartered accountants in England and Wales. He is currently finalising his MBA.

STEPHEN KAMANDA (42)

Joined Pan Africa Insurance Holdings Ltd in August 2005 as the General Manager-Finance. He holds an MBA in Finance and a Bachelor of Arts degree in Economics.He holds further qualifications in FCCA (UK), CPA (K), ICSA (UK).

EMMA WACHIRA (29)

Joined Pan Africa Insurance Holdings Ltd in December 2007 as the Company Secretary and Chief Legal Officer. She is an advocate of the High Court of Kenya and holds a Bachelor of Laws degree (LL B) from the University of Nairobi. She holds further qualifications in CPS (K) and a Diploma in IMIS.

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John P. N. Simba
Chairman

4 March 2008

6 Profile of Directors

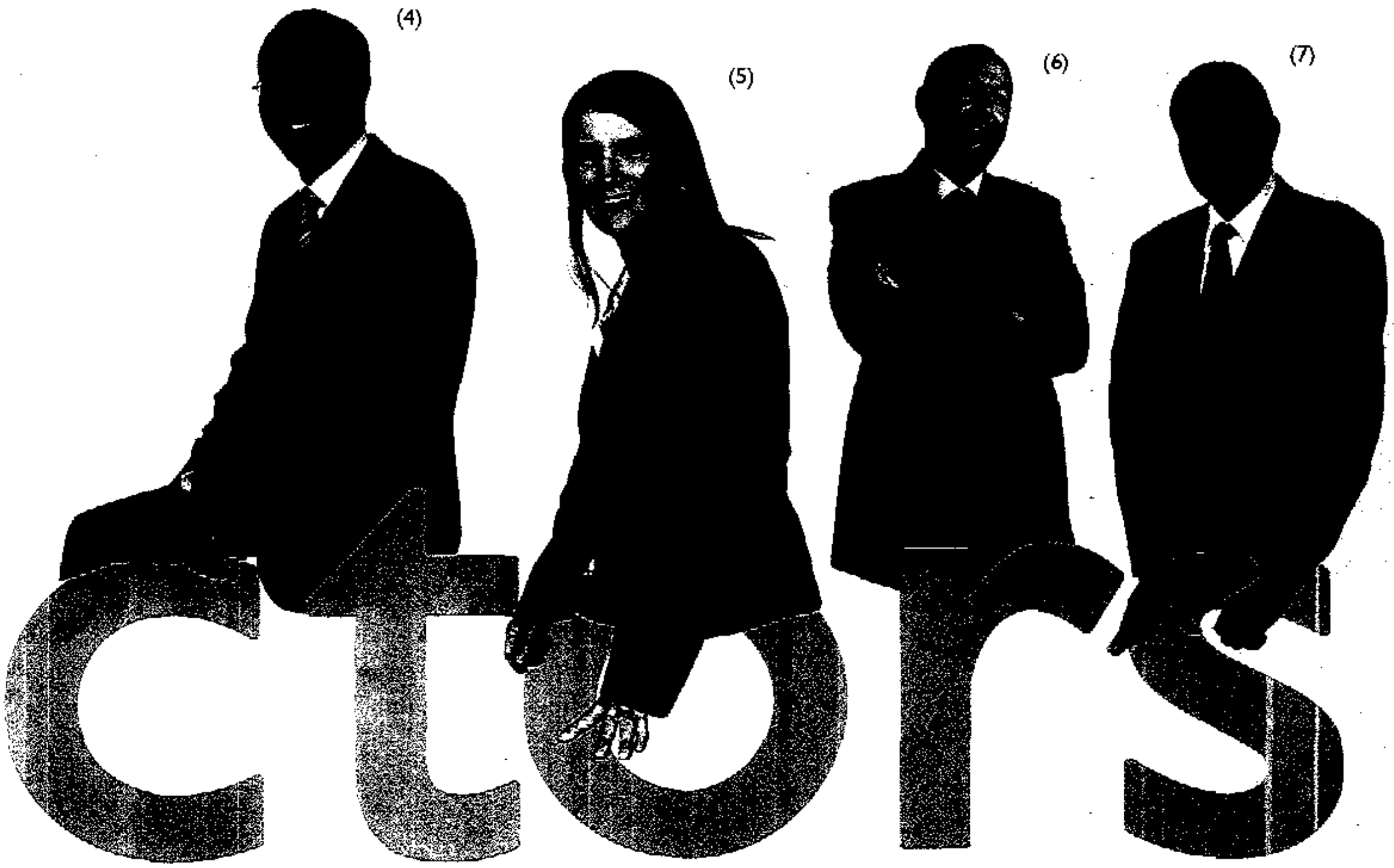
1 JOHN SIMBA (63)
(Chairman)
Appointed to the Board in December 2001
Appointed as Chairman in March 2002
Occupation: Lawyer; Partner in Simba & Simba, Advocates
Professional Qualification: Advocate of the High Court of Kenya
Skills: Bachelor of Law (University of Dar-es-Salaam)
Other Relevant Chairmanships: APA Insurance Limited
Relevant Directorships: Pan Africa Life Assurance Limited and other subsidiaries within the Pan Africa Insurance Group of Companies.

2 JOHN BURBIDGE (58)
Appointed to the Board in April 2000
Professional Qualifications: ACA (England & Wales), Chartered Accountant (SA)
Relevant Directorships: Pan Africa Life Assurance Limited.

3 DOUGLAS LACEY (50)
Appointed to the Board in July 2007
Occupation: Divisional Chief Executive – rest of Africa
Skills: MBL (University of South Africa), B Com. Hons. (University of South Africa)
Professional Qualifications: ACII (Associate of Chartered Insurance Institute), FCII (Fellow of the Chartered Insurance Institute)
Relevant Directorships: African Life Assurance Company Limited, Pan Africa Life Assurance limited and a number of subsidiaries within the African Life Group of Companies.

NORMAN KELLY (40 - Alternate to Douglas Lacey)
Occupation: Actuary – Sanlam Developing Markets – Rest of Africa
Skills: Bachelor of Science Degree in Mathematical Statistics and Actuarial Sciences, University of Witwatersrand
Professional Qualifications: Fellow of the Institute of Actuaries (UK), Fellow of the Actuarial Society of South Africa.

.Constant,
high flying and easy.

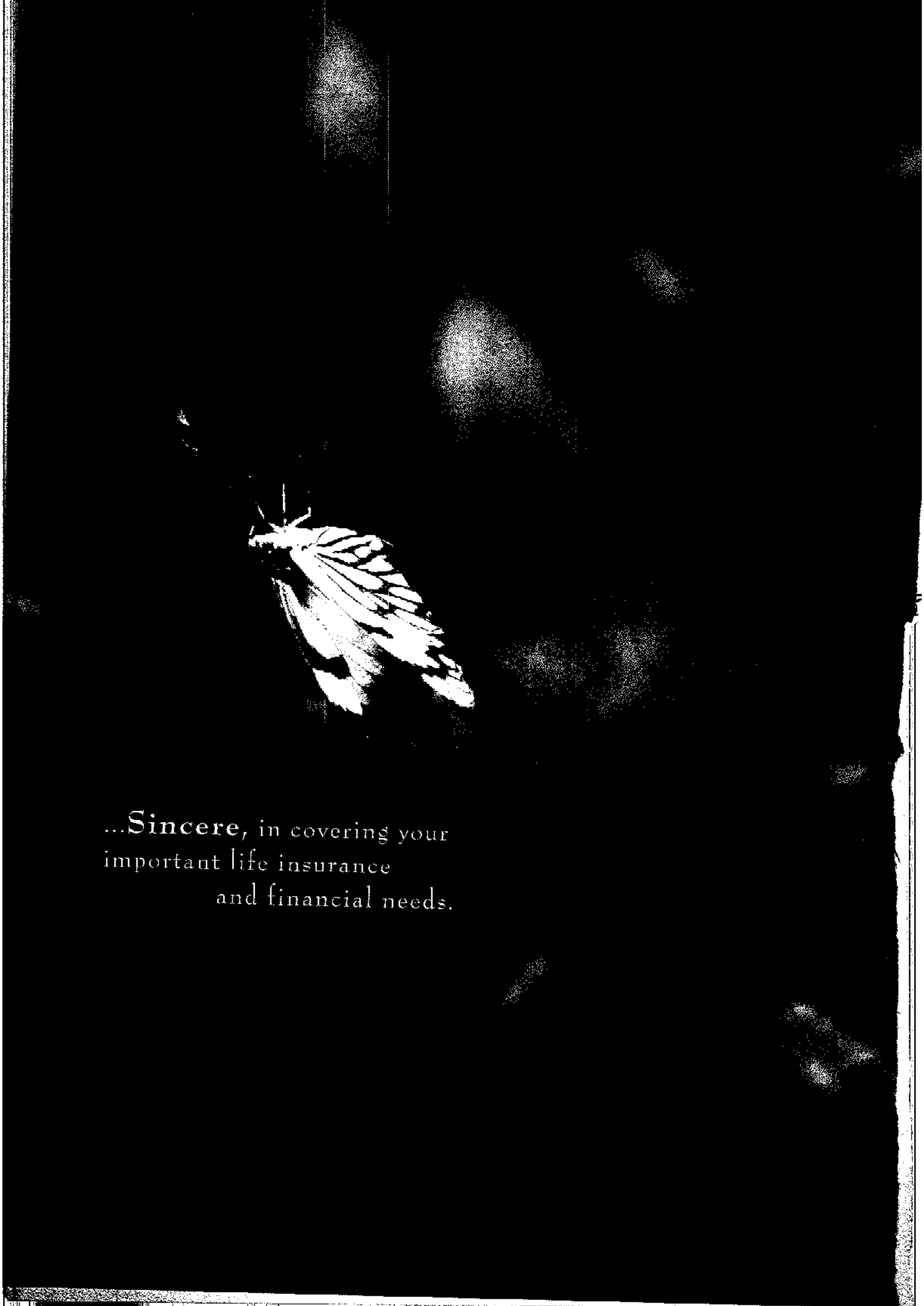


JAMES GITOHO (52)
Appointed to the Board in December 2001
Occupation: Architect
Professional Qualification: Registered Architect
Relevant Directorships: Pan Africa Life Assurance Limited and subsidiaries in the Pan Africa Insurance Group of Companies.

MARGARET DAWES (50)
Appointed to the Board in March 2005
Occupation: Executive Director - Finance, African Life Assurance Limited
Professional Qualifications: ACA (England & Wales), Chartered Accountant (SA)
Skills: Higher Diploma in Tax Law (University of the Witwatersrand)
Relevant Directorships: African Life Assurance Company Limited, Pan Africa Life Assurance Limited and a number of subsidiaries within the African Life Group of Companies.

6 ROBERT DOMMISSE (40)
Appointed to the Board in December 2007
Occupation: General Manager - Structural Growth at Sanlam Limited
Professional Qualifications: Chartered Accountant (SA)
Skills: MBA (Stellenbosch University)
Relevant Directorships: Pan Africa Life Assurance Limited, subsidiaries within Sanlam Limited, and subsidiaries within the African Life Group of Companies.

7 BALOOBHAI PATEL (69)
Appointed to the Board in December 2001
Occupation: Managing Director, Transworld Safaris Limited
Relevant Directorships: Pan Africa Life Assurance Limited, and subsidiaries in the Pan Africa Insurance Group of Companies.


...Sincere, in covering your
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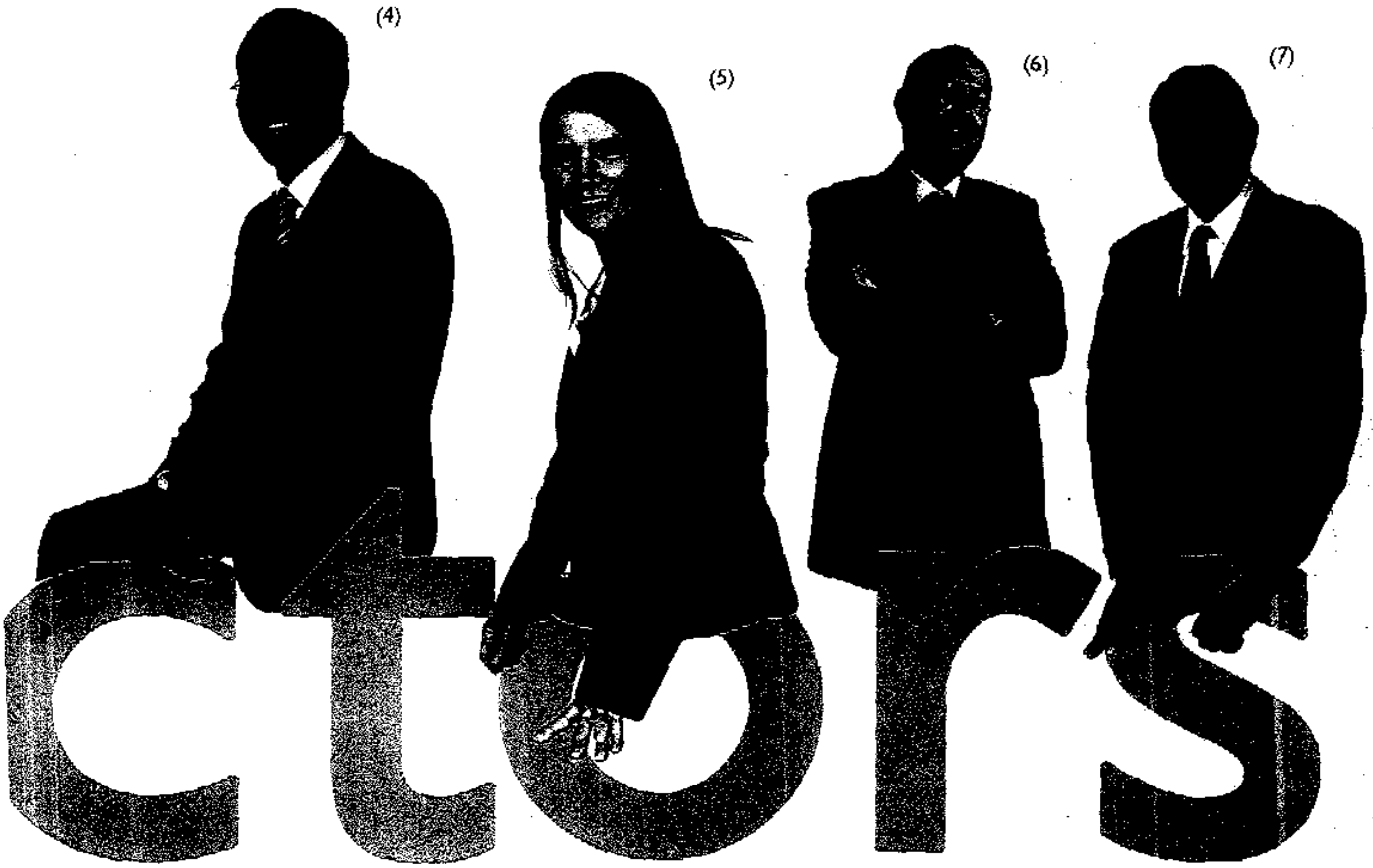
and financial needs.

..Constant,
high flying and easy.



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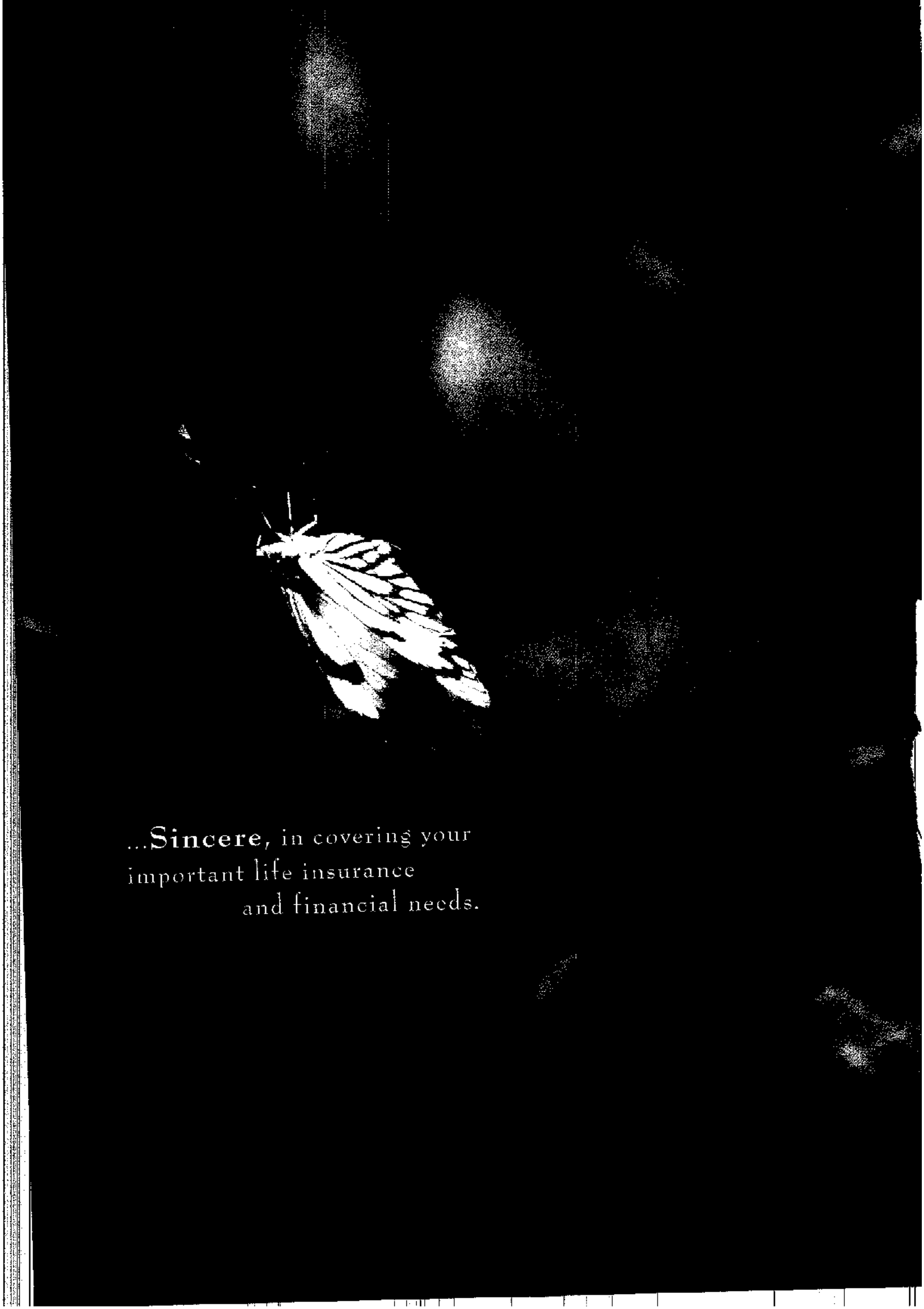
CATHERINE OLAKA (39)
Joined Pan Africa Insurance Holdings Ltd in October 2007 as the Human Resources Manager. She holds an MBA with a bias in Strategic Management from Maastricht School of Management and a Bachelor of Arts Degree from the University of Nairobi. She also holds a post Graduate Diploma in Human Resources.

JOSEPH WAMWEA (36)
Joined Pan Africa Insurance Holdings Ltd in September 1999. He holds an MBA, a Bachelor of Science degree and a diploma in computer studies.He also holds qualifications in CISA and a diploma in Financial Management.

JAMES MUIRURI (53)
Joined Pan Africa Insurance Holdings Ltd in November 1999. He holds a Bachelor of Science Degree and is an Associate of the Insurance Institute of Kenya, the Chartered Insurance Institute of London and the Chartered Institute of Arbitrators. He is also an Associate, Customer Service of LOMA (USA).

...Magnificent,
benevolent and liberated.


...Sincere, in covering your
important life insurance
and financial needs.

It gives me great pleasure to present to you the results of the Pan Africa Group for the financial year ended 31 December 2007.

We have had another successful financial year resulting in the growth of our production volumes and premiums.

Global Economy

The IMF World Economic Outlook estimates the 2007 Global Economic Growth to have declined by 0.1% to 4.9% (2006: 5.0%). The decline in global economic growth is mainly attributable to financial market strains in the USA thus leading to a 0.7% decline in United States GDP growth of 2.2%. The emerging markets and developing economies (incorporating Africa) grew by 0.1% while developing Asia remained stable at 9.6%. China continued to show a robust growth of 11.4%.

Inflation has been on the increase since mid 2007 in both advanced and emerging market economies. In order to manage inflation, Central Banks in the emerging economies, where food and energy represent a higher share of consumption baskets, have reverted to tighter monetary policy.

Co-ordinated central banks operations, together with the rate cuts have helped ease liquidity tensions in the interbank market; however, strains persist and term premiums are expected to remain elevated for sometime. This is mainly because term premiums reflect wider problems in financial systems such as credit deterioration, counterparty mistrusts and balance sheet pressures. Credit and market risks continue to rise while global macroeconomic outlook looks less favourable. Against this background, the IMF projects a decelerated global growth of 4.1% in 2008.

African Economy

The African Economy is estimated to have grown at 6.0% (2006: 5.8%). The positive growth in the African Economy shows that the Sub Saharan economies are able to withstand external shocks against effects of global financial turbulence. Despite this, the lower global growth, higher oil prices and ongoing conflicts continue to constrain the expected growth.

The real GDP growth is fuelled by growing oil production, rising domestic investment and productivity. Solid global demand for commodities, greater inflows of capital to Africa, and debt relief have helped to accelerate growth.

Strengthened macroeconomic policies and structural reforms initiated in the 1990's have begun to bear fruits as armed conflicts and political instability become less frequent. The Sub Saharan Africa has started to witness increased financial inflows from emerging creditors, particularly China, in the form of largely project assistance and export credits.

Assuming macroeconomic policies hold firm, the GDP for Africa is expected to continue to grow in 2008 though, despite sound economic fundamentals, the continent will continue to face risks arising from inflationary pressures mainly arising from oil prices. If high oil prices are accompanied by a stronger slowdown in major commodity exports, then, the effect on 2008 GDP growth could be adverse. The inherent risk of internal conflicts in various parts of Africa could compromise this growth further.

Kenyan Economy

The economy grew by approximately 7% in 2007. The NSE share index fell by 3.6% during the year to close at 5,444 on 31 December 2007. Interest rates remained stable during the year while the 12 month average annual overall inflation dropped from 14.45% in December 2006 to 9.76% in December 2007. The Kenya Shilling remained relatively strong throughout the year gaining 9.1 points against the US Dollar.

Business Environment

The estimated GDP growth of 7.0% is supported by robust expansion of all key sectors of the Kenyan Economy. The Agricultural sector showed strong recovery as all major crops recorded improved output over the year. Leading products in the

Manufacturing sector mainly beer, cigarettes and soda have shown greater vibrancy in the sector as they recorded growth of 34%, 17% and 2% respectively against the eight month comparatives in 2006. Cement production increased by 10% signalling increased activity in the building and construction industry within those eight months.

The tourism sector recorded another robust year; arrivals were up 14% to 779,567 visitors for the period to September 2007 while occupancy rates remained high over the year. The now resolved December 2007 election controversy has however adversely affected this sector in 2008. The effects of insecurity are likely to take time to clear.

The Central Bank remained very pragmatic in its monetary policy as open market operations were widely used to control distortions in interest rates.

The NSE continued to be fairly active with market corrections ending in January 2008. Only two new listings were recorded in the year while volume traded was reduced as compared to the previous year.

Insurance Industry

In the 2007/2008 budget, the Minister for Finance proposed the tripling of the paid up capital of insurance companies over the next 3 years. Composite insurance companies will be required to hold paid up capital of KShs 450 million up from the current KShs 150 million while long term insurance business will increase from KShs 50 million to KShs 150 million. Insurers carrying out general insurance business will need to increase their paid up capital from KShs 100 million to KShs 300 million.

As a number of insurance companies do not meet the proposed requirements, it will be interesting to see what actions they will take in order to enable them comply. Consolidations, mergers and acquisitions may be in vogue over the next 3 years leading to a reduction in the number of players in the market. With fewer players, focus is likely to shift towards more product innovation, professionalism and client needs away from wasteful competition that has resulted in premium rate reductions.

2007 saw the establishment of the Insurance Regulatory Authority. We trust that this coupled with the review of the Insurance Act will result in more growth, increased awareness and lead to a marked improvement in the industry governance and regulation.

Group Performance

During the period under review, life business premiums grew by 48% to over KShs 2 billion. However, the high growth in premiums did not translate into higher after tax profits mainly due to new business strain (New business strain results from the significant initial costs associated with the acquisition of new business, all of which are expensed in the year of acquisition, and hence leading to a strain on income).

Market capitalization of Pan Africa Insurance Holdings Limited shares at the NSE improved by 9% over the year to reach KShs 4.8 billion (2006: KShs 4.4 billion).

However, Basic Earnings per share at KShs 4.19 (2006: KShs 8.87) has been affected mainly by new business strain.

In spite of the depressed after tax profits arising out of the reasons given above, we are of the view that in the circumstances these were good results.

Dividend

In keeping with our policy on dividend payment, the Board of Directors will recommend to the shareholders at the 62nd Annual General Meeting that the Company declares a first and final dividend of KShs 1.60 per share payable to shareholders appearing in the Register of Members by close of business on 21 May 2008. Upon approval by the shareholders, the dividend cheques will be posted from 9 June 2008.

Reporting Standards

To enhance accountability, corporate governance and disclosures, the Group, during 2007 continued to conform to the various international and Group standards for reporting including:

- Financial Reporting: In accordance with the International Financial Reporting Standards;
- Risk Management Reporting: In accordance with the standards and guidelines of the Audit & Risk Committee;
- Corporate Governance Reporting: In accordance with the CMA's 'Principles of Corporate Governance' and other statutory/regulatory requirements;
- Subsidiary/Associated Companies/Board Committees report: every quarter to the holding company, Pan Africa Insurance Holdings Limited.

Statement of Corporate Governance

Our Annual Reports consistently contain our statement of corporate governance. As a publicly listed company, Pan Africa complies with the Capital Markets Authority 'Guidelines on Corporate Governance'. The Group is also part of the African Life Assurance Company Limited Group which has shared its knowledge and experience in this area. The Board of Directors has taken upon itself to adopt even more stringent corporate governance standards as demanded by the nature of our business.

Financial Reporting (FiRe) Awards

In 2007, Pan Africa Insurance Holdings Limited was awarded the runners up position in Corporate Governance based on our published accounts for the year ended 31 December 2006. The award is jointly sponsored by the Institute of Certified Public Accountants of Kenya, the Capital Markets Authority and the Nairobi Stock Exchange. Since the inception of the awards in 2000, the Group has continued to win a FiRe Award every year. This is a manifestation of the Group's continued focus on professionalism, transparency and excellence in financial reporting.

Pride of Sanlam Developing Markets (SDM) Competitions

The Sanlam Developing Markets runs three competitions namely:

- Quarterly Competition (Leopard Award): For the sales channel achieving more than 115% of the budgeted Annual Premium Equivalent (APE) for the quarter.
- Half yearly Competition (Cheetah Award): For competing business that achieves more than 115% of budgeted APE.
- Intercompany/Intercountry Competition: This competition allows companies operating in different countries/ regions but within the SDM to compete against each other based on the Annual Premium Equivalent and Value of New Business. The actual operating profit is also compared to the budgeted operating profit for a company to qualify.

In 2007, Pan Africa Insurance Holdings Limited won the Leopard award three times and the Cheetah award twice. These awards demonstrate the determination by the Pan Africa Insurance Holdings Limited staff and its business associates to give good business value to its stakeholders.

Changes to the Board

Joshua Kituri resigned from the Board in June 2007 while Douglas Lacey returned to the Board in July 2007. As the Divisional Chief Executive of the Rest of Africa, Douglas brings to the Board significant expertise and experience in life insurance. Heinie Werth also resigned at the end of 2007 and was replaced by his former alternate director William Dommisse. Sharon Maviala, the Group Company Secretary also left the Group to pursue other interests outside the country. She has been replaced by Emma Wachira.

Future Outlook

In 2008, the Group intends to concentrate on all aspects of the business, with a focus on business growth and branch network expansion. The Group is undertaking branch expansion and we plan to roll out more branches in various parts of the country in a bid to provide the business with the additional leverage required for improved sales in 2008.

Notwithstanding, the sad events ushered in by the disputed December 2007 presidential poll, which affected our life insurance operations during the early part of 2008, we expect to achieve significant growth in 2008 particularly given the positive developments in the political arena. We are confident that the prospects for the Group business in 2008 remain bright. We are optimistic that the economy will register a positive growth resulting in stable interest, exchange and inflation rates throughout the year.

Note of Appreciation

On behalf of the Board of Directors, let me take this opportunity to express my gratitude to Joshua Kituri and Heinie Werth for their contribution to the development of our business strategy in addition to offering, at board and other meetings, options on how to address various challenges inherent in our business. We wish them every success in all that they choose to undertake. To my other colleagues on the board, I thank them for their wise counsel, commitment in attending and actively participating at Committee and Board meetings. To Management and staff members, I thank them for their loyalty to the Group, exemplary service and continued commitment to the business all of which have positively impacted on the Group's performance. However let me hasten to add that we operate in a competitive environment where innovation, customer satisfaction and efficiency will carry the day. What is done well today is capable of being done better tomorrow. Let us continue to raise the bar. I pay tribute to our customers and to all those we do business with for their support which has continued to sustain us in business. To our shareholders, I thank them for the confidence they have continued to demonstrate in the Group. The results we have achieved this year is a team effort from everyone concerned. Once again, thank you all.

John P N Simba, MBS OGW
Chairman

4 March 2008

...Vibrant and spirited.

14 Pan Africa Life Shines

FiRe Awards

Pan Africa Insurance Holdings emerged as 1st runners up under the Corporate Governance category of the 2007 Fire Awards. The FiRe Award is awarded to companies that demonstrate excellence in their financial reporting, and has been held for the last six years with over 430 companies having participated since its inception. The Fire Award is administered by the Institute of Certified Public Accountants of Kenya, the Capital Markets Authority and the Nairobi Stock Exchange.

The General Manager, Finance, Stephen Kamanda (left) and Divisional Manager, Finance, Luke Magambo celebrate the award.

Sanlam developing markets competition

Pan Africa Life was the recipient of two awards from the 'Pride of Sanlam Developing Markets Competitions' for the period ending June 2007. The awards recognise the achievements of the businesses within the Sanlam Developing Markets cluster that include African Life (South Africa), Botswana Life, Tanzania, Zambia and Ghana in addition to Kenya.

Pan Africa Life won the 'Cheetah Award' in recognition of achieving more than 115% of the new business targets in the period ending June 2007. A second award, the 'Leopard Award' was awarded to the General Manager, Corporate Business, Mr. James Muiruri in recognition of the Corporate Business Division achievement of more than 115% of the new business targets.

The Pan Africa Life Team celebrates the Cheetah and Leopard Awards.

Nina furaha kuwasilisha kwenu Taarifa ya hesabu za Mwaka unaomalizika tarehe 31 Disemba 2007. Tulikuwa na mwaka mwengine wa mafanikio ya kifedha yalioleta ukuaji katika viwango vya uzalishaji na ada za bima.

Uchumi wa Ulimwengu

Mtazamo wa shirika la kimataifa la Kifedha (IMF) lilikadiria kuwa ukuaji wa Uchumi wa ulimwengu 2007 ulipungua kwa asilimia 0.1 hadi asilimia 4.9 (2006: asilimia 5.0). Kuzorota huku kwa uchumi wa ulimwengu kunasababishwa zaidi na kuteguka kwa masoko ya kifedha kule Marekani ambako kulileta upunguaji wa kiwango cha asilimia 0.7 katika mapato ya wananchi (GDP) kote marekani kwa asilimia 2.2. Masoko mapya yanayochipuka na uchumi wa nchi zinazoendelea (ikiwa ni pamoja na nchi za Africa) yalikuwa kwa asilimia 0.1 huku nchi zinazoendelea za Asia zikitulia katika kiwango cha asilimia 9.6. China iliendelea kudhihirisha ukuaji imara wa asilimia 11.4.

Kupanda kwa gharama ya maisha kulizidi tangu katikati ya mwaka wa 2007 katika uchumi wa nchi zilizoendelea na vile vile nchi zinazoendelea. Ili kusimamia kupanda huku kwa gharama ya maisha, Benki kuu za nchi zenye uchumi unaochipuka, ambako chakula na kawi huchukua fungu kubwa la pakacha la matumizi, ziliamua kuweka sera ya kubana matumizi ya fedha.

Shughuli za namna sawa za benki kuu, pamoja na kupunguzwa kwa viwango kumesaidia kuleta afueni katika uwezo wa kupata pesa miongoni mwa mabenki; hata hivyo, mashaka bado yapo na malipo ya bima ya muhula yatabaki kuwa juu kwa muda sasa. Sababu kubwa ni kuwa malipo ya bima ya muhula ni kiashirio cha kuweko kwa shida kubwa katika utaratibu wa mambo ya fedha kama vile kufifia kwa mikopo, kutoaminiana kwa wahusika na shinikisho katika mizani ya hesabu. Dhima ya mikopo na ya soko inaendelea kuwa juu huku mtazamo wa masoko makubwa ulimwenguni ukiwa usiyo wa matumaini makubwa. Tukiongeza haya yote, shirika la IMF linaonyesha ukuaji ulimwenguni kote utapungua kwa asilimia 4.1 katika mwaka wa 2008.

Uchumi wa Afrika

Uchumi wa Afrika unakadiriwa kuwa umestawi kwa asilimia 6.0 (2006: asilimia 5.8). Ukuaji huu bora wa Uchumi wa Afrika unaonyesha kuwa uchumi wa mataifa yaliyo karibu na Sahara unaweza kuhimili mshindo kutoka nje unaotokana na hali mbaya ya uchumi wa ulimwengu.Licha ya haya, ukuaji duni ulimwenguni, ongezeko la bei ya mafuta na vita vilivyoko sasa, yote haya yanazidi kubana ukuaji unaotarajiwa.

Usitawi wa kiwango cha mapato (GDP) huchochewa na ongezeko la utoaji mafuta, kuongezeka kwa uwekezaji wa ndani pamoja na uzalishaji. Mahitaji ya kutegemewa kwa bidhaa ulimwenguni, kuingia kwa wingi kwa rasilimali barani Afrika, na kufutiliwa mbali kwa madeni kumesaidia kuharakisha ukuaji.

Sera imara za uchumi kwa ujumla pamoja na muundo msingi ulioasilishwa katika miaka ya 1990 tayari umeanza kutoa natija nzuri wakati navyo vita na ukosefu wa utulivu wa kisiasa vinapungua. Mataifa ya Afrika yanayokaribia Sahara yameanza kushuhudia ongezeko la fedha kuingia kutoka watoa mikopo wanaoibuka, hasa Uchina, kwa njia ya ufadhili wa miradi ya maendeleo na mikopo ya kibiashara.

Ikichukuliwa kuwa sera za uchumi kwa ujumla zitaendelea kuwa imara, kiwango cha mapato (GDP) kwa bara la Afrika kinatarajiwa kuendelea kukua katika 2008. Licha ya kuwa na mipango imara ya kiuchumi, bara hili litaendelea kukabiliwa na mashaka ya kupanda kwa gharama za maisha hasa kutokana na kuongezeka kwa bei ya mafuta ya petroli. Ikiwa ongezeko la bei ya mafuta litaambatana na upungufu mkubwa wa bidhaa za biashara nje, basi, athari za viwango vya mapato (GDP) katika 2008 inatarajiwa kuwa mbaya. Mashaka yaliyoko ya vita vya wenyewe kwa wenyewe katika sehemu nyingi barani Afrika vile vile yanaweza kuadhini ukuaji huu.

Uchumi wa Kenya

Uchumi ulikua kwa takriban asilimia 7 katika mwaka wa 2007. Kielezo cha hisa katika soko la hisa la Nairobi (NSE) kilipungua kwa asilimia 3.6 katika mwaka tuanouzungumzia na kufunga kwa kiwango cha 5,444 mnamo tarehe 31 Disemba 2007. Viwango vya riba vilitulia katika mwaka huku makadirio ya miezi 12 gharama za maisha zikienda chini kutoka asilimia 14.45 mwezi wa Disemba 2006 hadi asilimia 9.76 mnamo Disemba 2007. Shilingi ya Kenya iliendelea kuwa imara kiasi katika kipindi cha mwaka wote na kupata nguvu alama tisa nukta moja dhidi ya Dola ya Marekani (US Dollar).

Hali ya Biashara

Makadirio ya ukuaji wa asilimia 7.0 katika kiwango cha mapato (GDP) yanaungwa mkono na kusitawi kwa nguvu kwa sekta zote za uchumi wa Kenya. Sekta ya kilimo ilidhihirisha kupata afueni kwa sababu mazao yote muhimu yalirekodi mavuno mazuri katika mwaka tunaoutizama. Bidhaa zinazoongoza katika sekta ya uzalishaji hasa bia, sigara na soda zilionyesha mtikisiko wa kuridhisha kwa ukuaji wa asilimia 34, 17 na 2 mtawalia ikilinganishwa na miezi minane ya 2006. Utoaji wa saruji uliongezeka kwa asilimia 10 ikiashiria ongezeko la shughuli za ujenzi katika miezi hiyo minane.

Sekta ya Utalii ilikuwa na mwaka mwengine wa mafanikio, watalii wanaokuja walizidi kwa asilimia 14 hadi wageni 779,567 katika kipindi hicho hadi Septemba 2007 huku viwango vya ukaaji vikiendelea kuwa juu katika mwaka huo. Hali ya fujo baada ya uchaguzi mkuu wa Disemba 2007, ambapo suluhu ishapatikana sasa, iliathiri pakubwa sekta hii katika 2008. Athari za ukosefu wa usalama zitachukua muda kuondoka.

Benki Kuu ilitenda kazi vyema kabisa katika sera zake za kifedha kwa shughuli za soko wazi zilitumika kote kusimamia mabadiliko ya viwanda vya ubadilishanaji.

Soko la Hisa (NSE) liliendelea kuweka juhudi kurekebisha shughuli za soko kumalizikia Januari 2008. Mashirika mawili tu ndiyo yaliorodheshwa katika mwaka huo huku viwango vya shughuli vikipungua ikilinaganishwa mwaka uliotangulia.

Biashara ya Bima

Katika Bajeti ya mwaka 2007/2008, Waziri wa Fedha alipendekeza kuongezeka mara tatu kwa mtaji wa kampuni za Bima katika kipindi cha miaka mitatu ijayo. Mashirika ya bima yenye sehemu nyingi yatahitajika kushikilia mtaji na kulipa Kshs Milioni 450 ikiwa ni ongezeko kutoka Kshs Milioni 150 ilivyo sasa huku mashrika ya bima ya muda mrefu yakitakiwa kuongeza kutoka Kshs Milioni 50 hadi Kshs Milioni150. Wana bima wanaoendesha shughuli za kawaida za biashara ya bima watatakiwa kuongeza mtaji uliolipwa kutoka Kshs Milioni 100 hadi Kshs Milioni 300.

Kwa vile mengi ya mashirika ya bima hayawezi kutimiza masharti haya yaliyopendekezwa, itakuwa jambo la kuvutia kutaka kujua jinsi watakavyofanya kutekeleza maagizo haya. Kufanya pamoja, kuungana na kuuzwa kwa makampuni pengine ndiyo itakuwa jambo jipya katika miaka mitatu ijayo na hii itapunguza idadi ya kampuni wahusika katika sekta hii. Kutakapokuwa na wahusika wadogo katika sekta, mtazamo utageuka upande wa ubunifu zaidi wa bidhaa, ubingwa wa kutoa huduma na kutimiza mahitaji ya wateja na kujiweka mbali na uharibifu wa ushindani wa kibiashara.

Katika 2007 kulianzishwa halmashauri ya kusimamia mashrika ya Bima (Insurance Regulatory Authority). Tunaamini kuwa hii pamoja na kukaririwa kwa sheria za sekta ya bima kutachangia ukuaji zaidi, kutazidisha utambuzi na kupelekea kuimarika kwa usimamizi na kanuni za sekta hii.

Utendaji wa Kundi

Katika kipindi tunachokitazama, malipo ya bima ya maisha yaliongezeka kwa asilimia 48 hadi kufikia zaidi ya Kshs. Bilioni 2. Licha ya hivi, ukuaji huu wa malipo ya bima haukuleta ongezeko la faida ya baada ya kulipa kodi kutokana na mabano yaliotokana na biashara mpya.

Rasilimali kutokana na hisa ya Shirika la Pan Africa Holdings Limited katika soko la hisa (NSE) iliimarika kwa asilimia 9 katika mwaka huo na kufika KShs Bilioni 4.8 (2006: Kshs Bilioni 4.4). Hata hivyo, mapato ya kimsingi kwa kila hisa ya Kshs 4.19 (2006: Kshs 8.87) yaliadhiriwa zaidi na mabano ya biashara mpya. Licha ya faida ya chini ya baada ya ulipaji ushuru iliyotokana na sababu zilizotolewa hapo juu, ni maoni yetu hata katika hali hiyo kuwa matokeo haya yalikuwa mazuri.

Mgawo wa faida

Katika kudumisha sera yetu ya ulipaji mgawo, bodi ya wakurugenzi itapendekeza kwa wanahisa katika kikao cha 62 cha Mkutano Mkuu wa mwaka kuwa kampuni itangaze mgawo wa awali na wa mwisho wa Kshs 1.60 kwa kila hisa kulipwa wanahisa waliosajiliwa katika rejista ya wanachama ifikapo kufungwa shughuli mnamo tarehe 21 Mei 2008. Ikipitishwa na wanahisa, hundi za mgawo wa faida zitatumwa na posta kuanzia tarehe 9 Juni 2008.

Ripoti ya Ukadriaji

Ili kuboresha uwajibikaji, usimamizi wa shirika na kuarifiana bayana, Kundi, katika mwaka 2007 iliendelea kufuata kanuni za mashirika ya kimataifa na ukadriaji wa Kundi wa kuripoti ikiwa ni pamoja na;

- Ripoti ya kifedha: Kuambatana na viwango vya kimataifa vya kuripoti maswala ya kifedha;
- Ripoti ya Usimamizi wa Dhima: Kuambatana na viwango na maongozi yalowekwa na kamati ya Ukaguzi na Dhima (Audit & Risk Committee);
- Ripoti ya Usimamizi wa Shirika: Kuambatana na kanuni za CMA za Usimamizi wa Shirika (Principles of Corporate Governance) pamoja na mahitaji mengine ya kisheria/ kimaadili;
- Ripoti ya Kampuni zetu tanzu/ kampuni washirika/ Kamati za bodi: Kila Hutolewa kila baada ya kipindi cha miezi mitatu kwa Kompuni kuu, Pan African Insurance Holdings Limited.

Taarifa ya Usimamizi wa Shirika

Kila wakati Taarifa yetu ya hesabu za mwaka huwa na taarifa yetu ya usimamizi wa shirika. Kwa vile hii ni kampuni ya umma iliyoorodheshwa, Pan Africa inatii maagizo ya Halmashuari inayosimia uwekezaji dhima (Capital Markets Authority) yahusuyo usimamizi wa shirika. Kundi hili vili vile ni sehemu ya lile kundi la Africa Life Assurance Company Limited ambalo limetugawia maarifa na uzoefu wake katika nyanja hii. Bodi ya wakurugenzi imeamua kuchukua hatua nyingine madhubuti za viwango vya upeo wa juu vya usimamizi washirika kama ilivyo hali ya biashara hii yetu.

Tuzo la utoaji ripoti bora zaidi la hesabu (FiRe Awards)

Katika mwaka wa 2007, Shirika la Pan Africa Insurance Holdings Limited liliibuka katika nafasi ya pili katika Usimamizi wa shirika kutokana na utoaji ripoti ya hesabu za mwaka uliomalizika tarehe 31 Disemba 2006. Tuzo hili ni la udhamini wa pamoja wa Taasisi ya wahasibu waliyosajiliwa wa Kenya (Institute of Cetified Public Accountants of Kenya), halmashauri inayosimamia uwekezaji dhima (Capital Market Authority) na Soko la Hisa la Nairobi (Nairobi Stock Exchange). Tangu kuanzishwa kwa tuzo hizi katika mwaka wa 2000, Kundi hili limekuwa likishinda zawadi ya FiRe Awards kila mwaka. Hili ni dhihirisho kuwa Kundi linaendelea kutazama kwa makini utaalamu, uwazi na ubora katika kutoa ripoti ya kifedha.

Fahari ya mashindano ya Sanlam Developing Markets (SDM)

Sanlam Developing Markets huwa na mashindano aina tatu kama yafuatavyo:

- Mashindano ya kila baada ya miezi mitatu (Tuzo la Leopard): Kwa kupata njia ya mauzo inayoleta zaidi ya asilimia 115 ya Mauzo ya mwaka ya Bima (Annual Premium Equivalent)
- Mashindano ya kila baada ya miezi sita (Tuzo la Cheetah): Kwa biashara inayoshindana na kuleta asilimia 115 ya Mauzo ya mwaka ya Bima (Annual Premium Equivalent)
- Shindano baina ya Shirika/ baina ya Nchi: Shindano hili huwapa makampuni yanayoendesha shughuli zake katika mataifa/ maeneo tofauti lakini yote yakiwa chini ya SDM fursa ya kushindana miongoni mwao ikiegemea kwenye mauzo ya mwaka ya bima na thamani ya biashara mpya (Value of New Business). Faida halisi ya kuendeleza biashara vile vile hulinganishwa na makadirio ya faida ya kuendeleza shughuli ili kampuni ifaulu kushiriki.

Katika mwaka wa 2007, Shirika la Pan Africa Insurance Holdings Limited lilishinda tuzo la Leopard mara tatu na lile la Cheetah mara mbili. Ushindi huu ulionyesha wazi dhamira ya shirika la Pan Africa Insurance Holdings Limited na wahusika wake wa kibiashara kutoa thamani bora ya biashara kwa washika dau wake.

Mabadiliko katika Bodi ya wakurugenzi

Joshua Kituri alijiuzulu kutoka katika Bodi mnamo Juni 2007 huku Douglas Lacey akijiunga tena katika Bodi mnamo Julai 2007. Akiwa Afisa Mkuu Mtendaji wa kitengo hiki, Douglas analeta ujuzi wa kufaa na uzoefu katika biashara ya bima ya maisha. Heinie Werth pia alijiuzulu kutoka katika Bodi mwishoni mwa mwaka wa 2007 na nafasi yake ikachukuliwa na mkurugenzi wake wa zamu William Tommisse. Sharon Maviala, ambaye alikuwa Katibu wa Kundi vile vile alijiondoa kutoka katika kundi na nafasi yake imechukuliwa na Emma Wachira.

Mtazamo wa siku za Usoni

Katika 2008, Kundi linatarajia kutilia maanani zaidi vipengee vyote vya biashara, kukiwa na mtazamo mkubwa katika kupanua biashara na kuongeza mtandao wa matawi. Kundi limeanza mpango wa kupanua matawi na tunao mpango wa kufungua matawi zaidi katika sehemu mbali mbali za nchi ili tuweze kutoa huduma kukiwa na uwezo wa ziada wa kuboresha mauzo katika 2008.

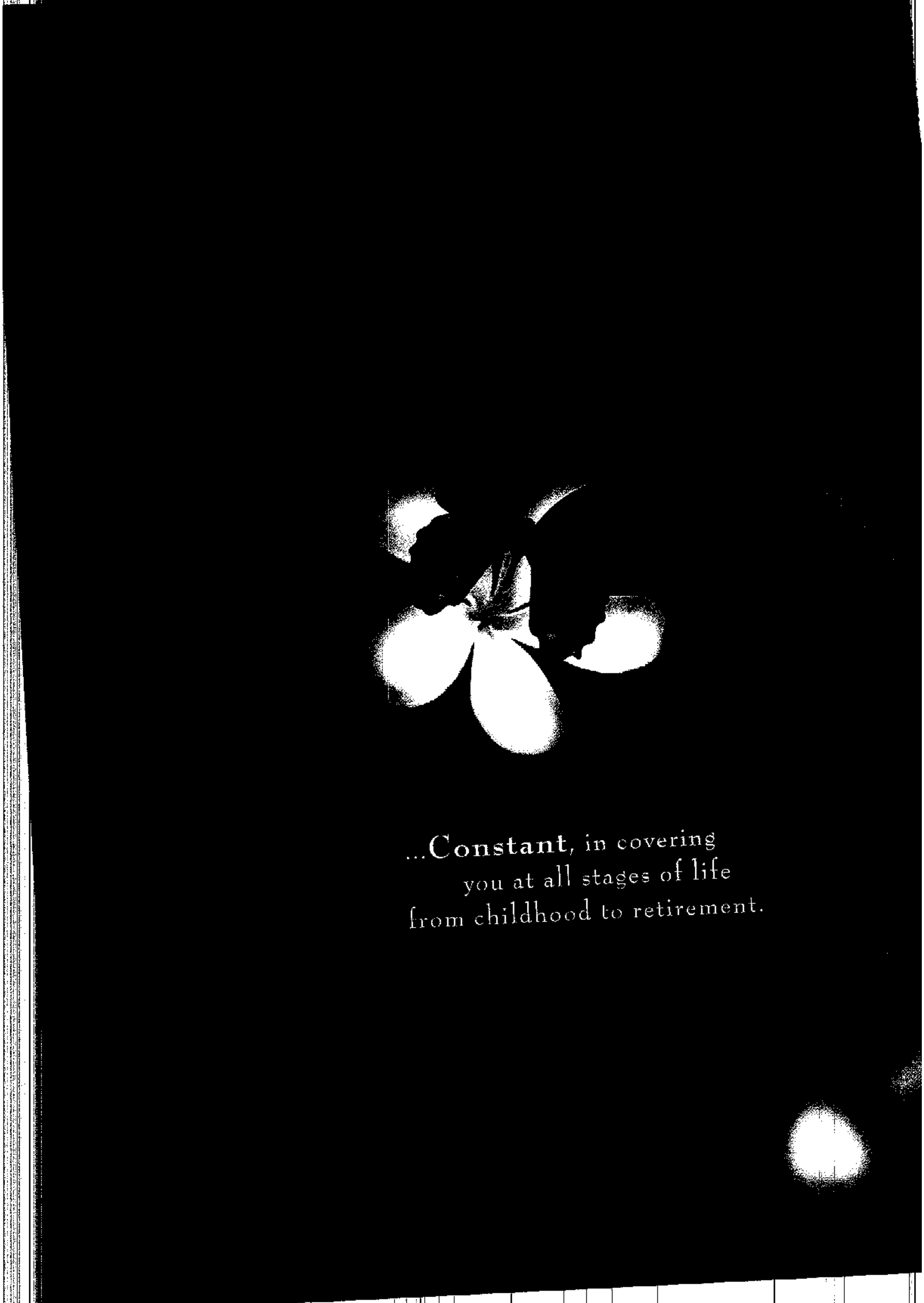
Licha ya matukio ya kusikitisha kutokana na matokeo ya utata wa kura za urais mnamo Disemba 2007, ambayo yaliathiri shughuli zetu upande wa Bima ya Maisha katika mwanzo wa 2008, tunatarajia kupata ukuaji thabiti katika mwaka wa 2008 hasa kutokana na hali nzuri inayoonekana kushamiri katika uwanja wa kisiasa. Tuna matumaini kuwa mipango ya Shirika itakuwa mizuri katika 2008. Tuna tegemeo zuri kuwa uchumi utawasilisha ukuaji imara na hivyo basi kuleta utulivu katika viwango vya riba, vya ubadilishanaji na vya garama ya maisha wakati wote mwakani.

Shukrani

Kwa niaba ya bodi ya wakurugenzi, nachukua fursa hii kuwapa shukrani Joshua Kituri, Heinie Werth kwa kuchangia katika maendeleo na mikakati ya biashara yetu pamoja na mazungumzo ya manufaa katika mikutano ya bodi na katika kukabili changamoto za biashara hii yetu. Tunawatakia mafanikio katika mipango yao yote wanayotarajia kufanya. Kwa wenzangu tulio nao katika halamashauri, nawashukuru kwa ushauri wao wa busara, kujitolea kuhudhuria na kuhusika katika mikutano ya Kamati ya bodi. Kwa Wasimamizi na wafanyikazi, nawashukuru kwa uaminifu wenu kwa Shirika, kwa kazi nzuri inayofaa kuigwa kwa kuendelea kujitolea kwenu katika biashara hii ambako kumechangia pakubwa katika kuleta matokeo mazuri ya Kundi. Hata hivyo naomba niongeze hapa kuwa tunaendesha shughuli zetu katika mandhari yenye ushindani mkubwa wa kibiashara ambapo ubunifu, kutosheleza wateja na utendakazi bora ndiyo jambo la kufaa zaidi. Kazi nzuri ya leo inaweza kufanywa nzuri zaidi kesho. Tuendelee kuinua nguzo ya utendakazi bora. Nawatukuza na kuwashukuru wateja wetu na wote wanaofanya biashara nasi kwa kutuunga mkono ambako kumetudumisha katika biashara. Kwa wenyehisa wetu, nawashukuru wao kwa kuendelea kuonyesha matumaini yao kwa Shirika hili. Matokeo tuliyoyapata mwaka huu yametokana na juhudi za pamoja kutoka kwa kila mhusika. Kwa mara nyingine asanteni nyote.

John P N Simba, MBS OGW
Mwenyekiti

4 Machi 2008


...**Constant**, in covering
you at all stages of life
from childhood to retirement.

Highlight of Performance

Pan Africa Insurance Holdings Limited has continued with its positive growth trend and produced impressive results with the life gross premium income increasing by 48% over last year to exceed the KShs 2 billion mark. This growth has been achieved while the operating expenses have been contained to a growth of 15% over last year. The strong group performance continues to be derived from our principal activity, Life Insurance.

Individual Life

Individual life continues to dominate our life business with gross premium income increasing by 20% to reach KShs 1.2 billion over the year. New business individual life premiums account for 18% of the total premium income.

During the year, the Company introduced two superior products namely the FlexiSaver and the FlexiEducator. The two products offer savings and life cover with a guaranteed minimum return and they also come with an attractive range of riders. These products have been received well in the market and have contributed positively to the 2007 results. In line with the Company's policy, these products are issued on a non medical basis and do not contain an HIV/AIDS exclusion clause.

Following the political unrest at the end of 2007, our Company emerged as the first life company that indicated its willingness to honour all claims arising during the period of unrest. In this way, the Pan Africa Group continues to demonstrate its commitment to corporate social responsibility towards all the policyholders.

Our agency force continues to be among the top teams in the AKI agents of the year award competition mainly due to our rigorous recruitment and training process that precedes the commencement of the selling process. This process will be continued and enhanced in order to offer our valued clients the superior service that they deserve. This year saw the expanded agency force help us deliver the KShs 1.2 billion premium income milestone.

Our diversification process that started last year has yielded positive results with a major shift in sales to non-traditional markets that are now contributing more than 70% of our new business sales.

We intend to roll out additional products in 2008 that will cater for changing customer needs.

Corporate Business

At KShs 851 million, the corporate business premiums grew by 124% over last year. During the year we achieved good growth in both our recurring and single premium lines. 24 schemes, with a recurring premium of KShs 84 million were acquired during the year.

During the year, our product development team worked on a new product called FlexiAnnuity. The FlexiAnnuity is a retirement annuity offering monthly payments on payment of a single premium. This new product will offer guaranteed payment periods with an escalating option. The FlexiAnnuity product will be launched in the first quarter of 2008.

Our range of attractive and innovative group products now include; Group Life, Group Disability, Group last expense, Group mortgage, Group credit and FlexiAnnuity. We continue being market leaders because of our innovative and competitively priced products while maintaining outstanding service standards across all business lines.

Group Investment Income

Despite the low returns generated by the capital and the money markets during the period, we managed to contain the decline in investment income to 2% to achieve a total investment income of KShs 422 million. As anticipated last year, the market correction that started in 2006 finally crystallised in January 2007 thus paving way for a decline in the NSE index by 3.6% to close at 5,444 on 31 December 2007. We managed to maintain our 2006 equity performance through superior selection and active trading at the NSE.

With the high volatility expected in the equity market in 2008, we are reviewing our property portfolio with an intention of increasing its share so as to stabilise the long-term returns. We will also be increasing the proportion of long-term bonds so as to match the liability created by the new FlexiAnnuity product. This action is expected to stabilise our returns in the long run.

The major activity for next year will be the commencement of the construction of residential houses in Runda. The feasibility study carried out in December 2007 indicated that good demand for executive residential houses exists. We intend to commence development of 20 units during 2008.

Group Expenses

The total income increased by 48% while operating expenses were contained to a 15% increase. Unlike last year, no major provisions were made in relation to the activities undertaken by the defunct Pan Africa General Insurance Limited.

Policyholder Benefits and Life Funds

Net Insurance benefits and claims increased by 15% to Kshs. 469 million mainly due to an increase in maturity payments occasioned by our old book of business and an increase in retention under our surplus treaty arrangements.

Change in policyholders' liabilities under insurance contracts increased by 69% as a result of new business strain, rate reductions, increased reserves from additional Group business, IBNR and UPR reserves from recurring business.

In line with the growth in premiums, our life fund has grown by 34% to stand at KShs 3.5 billion as at 31 December 2007.

Subsidiary and Associated Companies Performance

Excluding the results of the associate APA, our investment subsidiary PA Securities Limited made a profit after tax of KShs 42 million. The profit was generated by investments in government bonds, money market investments and equity investments in NSE.

For our General Insurance associate, APA, its highlights include: Gross premium written up by 17% to KShs 2.3 billion, Realised investment income down by 30% to KShs 138 million, Equity Fair Value loss of KShs 98 million compared to Fair Value Gain of 644 million in 2006, Total income down by 16% at KShs 1.9 billion, claims incurred increased by 35% mainly due to increased claim incidences in motor and personal accident claims.

The APA 2006 accounts have been restated to reflect deferred tax under provision in 2006.

The loss after tax for 2007 stands at KShs 3.5 million (2006 profit: KShs 761 million).

Embedded Value

As part of the additional disclosure by Pan Africa Insurance Holdings Limited, the Group has reported on the Embedded Value (EV) and Embedded Value (EV) earnings.

For the accounts to 31 December 2007, Pan Africa Insurance Holdings Limited has reported the European Embedded Value (EEV), although, it's only compulsory to adopt the revised EEV methodology for the financial year ending 31 December 2008. The main changes in the revised guidelines include;

a) The equity risk premium assumption has increased from 2.0% to 3.5% and

b) The cost of capital is based on the higher of an internally assessed level of required capital and the minimum statutory capital adequacy requirement (CAR). In line with the wider Sanlam Group methodology, the internally assessed level of required capital for Pan Africa Insurance Holdings Limited is now set at the statutory required Net Premium Value (NPV) liabilities added to double the minimum statutory capital adequacy requirement and less the Financial Soundness Valuation (FSV) liabilities.

The Embedded Value has increased by 16% to reach KShs 2.9 billion mainly due to growth of Net Value of inforce business. The inforce growth is attributable to new business inflows from FlexiSaver, FlexiEducator and Group credit business.

During the year, the value of new business (VNB) from all lines increased by 54% to reach KShs 233 million.

Pan Africa Insurance Holdings Limited remains the only Insurance Company disclosing the Embedded Value performance in detail for the benefit of its stakeholders.

Development of Staff and Agents

In addition to the technical training which is sponsored by the company, all staff are required to regularly attend business appreciation courses, most of which are conducted in-house using the company's training resources and those of African Life and other external consultants. All the staff are encouraged to study for further professional qualifications.

The company also supports the training of all its agents in preparation for the certificate of proficiency set by the College of Insurance. All agents in the industry must pass this examination within 12 months of entering the industry.

Prospects

A lot of effort was invested in improving the quality of our sales force in 2007. This, coupled with the additional branches to be opened in various parts of the country, will provide us with the additional leverage required for improved sales performance in 2008.

Our traditional focus has previously been on the low to medium income market. This focus will be maintained and will be strategically shifted to the medium to high income market starting in 2008. This year, we are opening our model branch office in Westlands to pioneer sales in the medium to high income market. This, coupled with our new 'Flexi' range of products will improve our average premiums per policy. We intend to launch a new individual life product in 2009 and also enhance existing ones in order to respond to our customer's needs.

Corporate business will also be rolling out the FlexiAnnuity product in 2008. Other products and services that are under consideration include Individual Pension, Disability and Pension Administration. The new suite of products will complement our other range of corporate products in 2008. With the December 2007 election stalemate now largely resolved, we are confident that the prospects for 2008 remain bright.

James Muiruri
Acting Chief Executive

4 March 2008

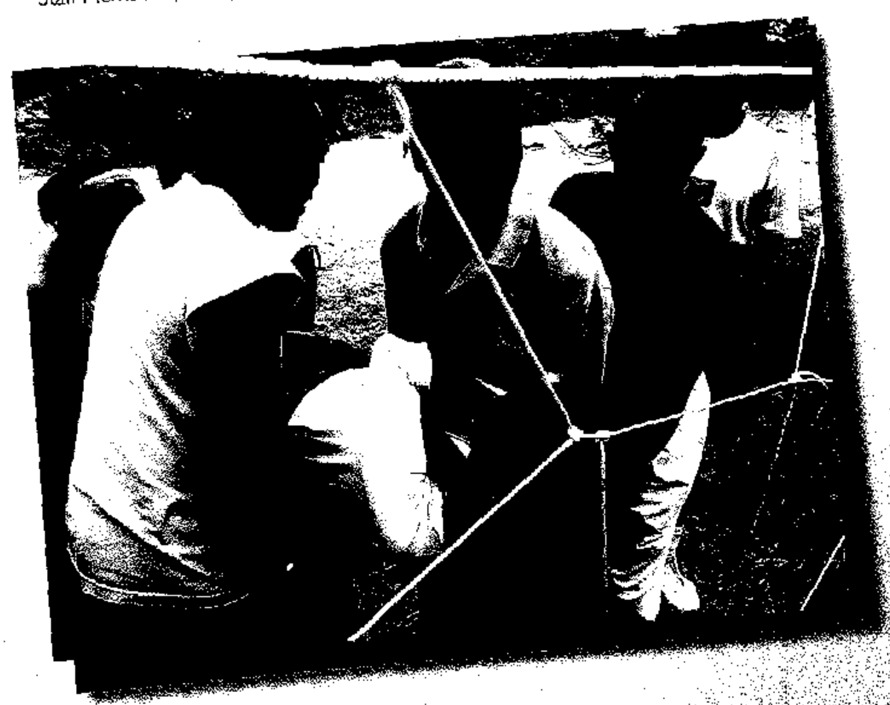
...Reliable, promising and simple.

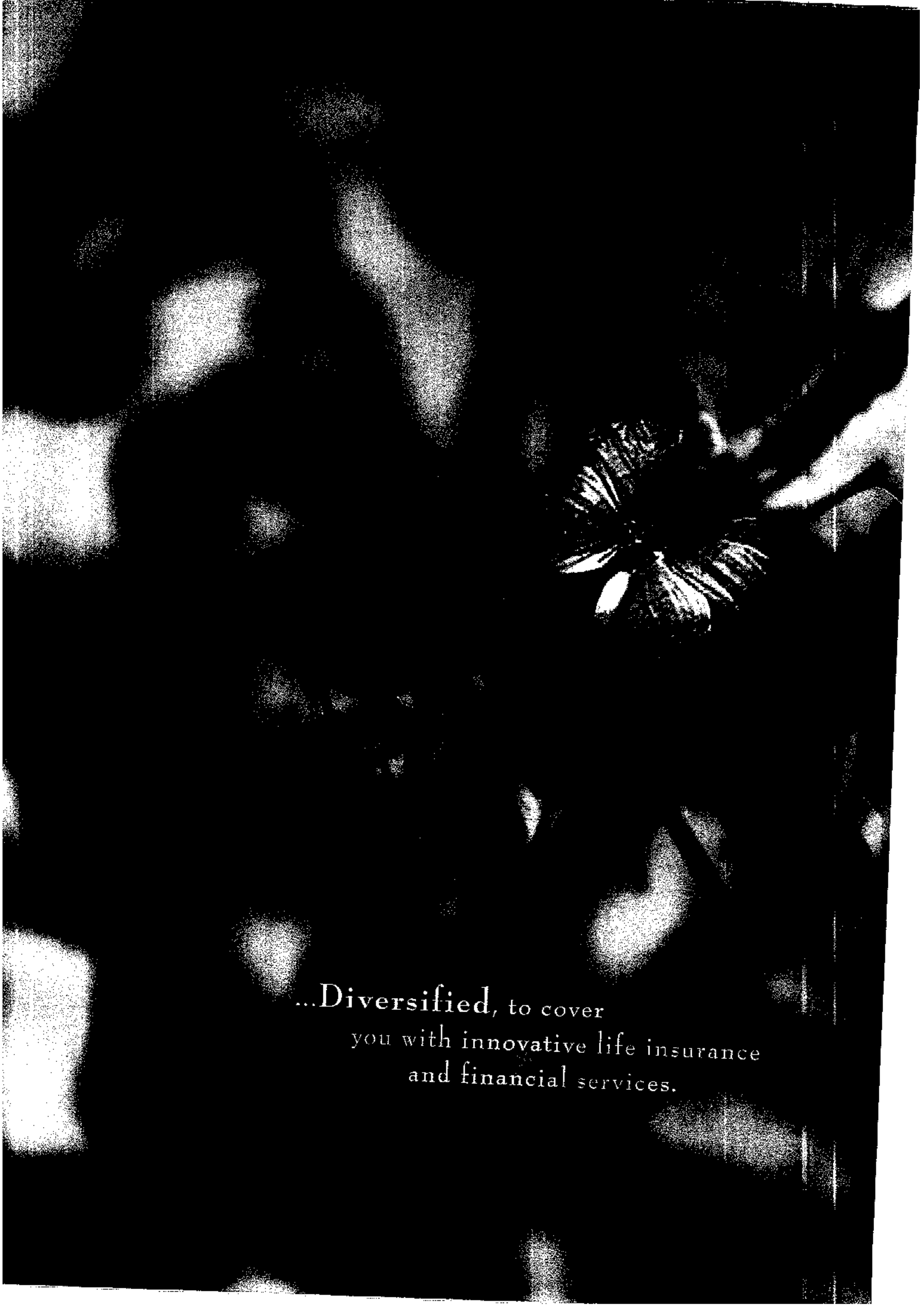
22 Staff Social Club.

The Management continues to recognise the need to promote team spirit among the staff members. In this regard, the Pan Africa staff launched the staff social club with the mandate to organise team building activities through sporting, social and leisure activities.

The Pan Africa Insurance Staff Social Club was launched on May 24, 2007 and it has successfully organised several exciting activities such as the Mt. Longonot hike, the Company Sports day at Karura Complex facility and various team building sessions at the Waterfalls Inn in Tigoni, Rowallan Camp, Malewa River Lodge, Lake Elementaita amongst others. The social club continues to organise team building activities on a regular basis.

Staff Members participate in team building activities.




...Diversified, to cover
you with innovative life insurance
and financial services.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 62nd Annual General Meeting of the Company will be held at the Tsavo Room, Hilton Hotel, Mama Ngina Street, Nairobi on Wednesday, 21 May 2008 at 11.00 am to conduct the following business:

1. To table the proxies and note the presence of a quorum.

2. To read the notice convening the meeting.

3. To confirm the minutes of the previous Annual General Meeting held on 13 June 2007.

4. To consider, and if approved, adopt the Balance Sheet and Accounts for the year ended 31 December 2007 together with the reports of the Chairman, the Chief Executive, the Directors, the Auditors and the Statutory Actuary.

5. To declare a dividend of KShs 1.60 per share for the financial year ended 31 December 2007 and approve the closure of the Register of Members from 22 May 2008 to 3 June 2008.

6. To elect directors:

6.1 Baloobhai Patel retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

6.2 John Burbidge retires by rotation in accordance with the Company's Articles of Association and he will not offer himself for re-election.

6.3 In accordance with the Company's Article of Association, Douglas N Lacey who was appointed a director on 1 July 2007 retires this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for re-election.

6.4 In accordance with the Company's Article of Association, William R Dommisse who was appointed a director on 31 December 2007, retires this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for re-election.

7. To approve the Directors' remuneration.

8. To note that the auditors, Ernst & Young, will continue in office in accordance with Section 159(2) of the Companies Act (Cap 486) and to authorise the Directors to fix their remuneration.

9. To transact any other business with the permission of the Chair for which 48 hours notice had been given to the Company Secretary at the registered office of the Company.

By Order of the Board

Emma Wachira
Company Secretary

Date: 4 March 2008

Note:
A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, a proxy form, which is attached to the end of this report, must be completed and signed by the member and must be lodged at the offices of the Company Secretary, Pan Africa House, Kenyatta Avenue, P.O. Box 10493, 00100 Nairobi or be posted, so as to reach not later than Monday 19 May 2008 at 11.00 am.

ILANI INATOLEWA HAPA kwamba kikao cha 62 cha mkutano Mkuu wa mwaka wa kampuni kitafanyika katika chumba cha Tsavo Room, katika hoteli ya Hilton, iliyoko barabara ya Mama Ngina, Nairobi mnamo Jumatano, tarehe 21 Mei 2008 saa tano asubuhi kushughulikia yafuatayo:

1. Kuratibisha wawakilishi na kuhakikisha kuna akidi ya kutosha

2. Kusoma ilani iliyoitisha mkutano

3. Kuthibitisha kumbukumbu za mkutano Mkuu wa Mwaka uliyopita uliyofanyika mnamo tarehe 13 Juni 2007.

4. Kutafakari, na ikipitishwa kupokea mizania ya uhasibu wa mwaka unaomalizika 31 Disemba 2007 pamoja na ripoti ya Mwenyekiti, Afisa Mkuu Mtendaji, Wakurugenzi, Wakaguzi wa hesabu na watakwimu wa sheria za bima.

5. Kutangaza mgawo wa faida wa Kshs 1.60 kwa kila hisa katika mwaka unaomalizika 31 Disemba 2007 na kuidhinisha kufungwa kwa rejista ya wanachama kuanzia tarehe 22 Mei 2008 hadi 3 Juni 2008.

6. Kuchagua wakurugenzi:

6.1 Baloobhai Patel anastaafu kwa zamu kwa mujibu wa sheria zinazosimamia makampuni na, kwa sababu anastahili, anajitolea kuchaguliwa tena.

6.2 John Burbidge anastaafu kwa zamu kwa mujibu wa sheria zinazosimamia makampuni na hajitolei kuchaguliwa tena.

6.3 Kwa kufuatia sheria zinazosimamia makampuni, Douglas N Lacey aliyechaguliwa mkurugenzi mnamo 1 Julai 2007 anastaafu na kwa sababu hiki ni kikao chake cha kwanza cha Mkutano Mkuu wa Mwaka kufanyika tangu alipochaguliwa na kwa vile inakubalika, anajitolea kuchaguliwa tena.

6.4 Kuambatana na sheria zinazosimamia makampuni William R Dommisse aliyechaguliwa kama mkurugenzi mnamo 31 Disemba 2007, anastaafu na kwa sababu hiki ni kikao chake cha kwanza cha Mkutano Mkuu wa Mwaka kufanyika tangu alipochaguliwa na kwa vile inakubalika, anajitolea kuchaguliwa tena.

7. Kuidhinisha malipo ya Wakurugenzi.

8. Kutambulisha kuwa wakaguzi wa hesabu, Ernst & Young, wataendelea kushikilia wadhifa huo kuambatana na kipengee cha sheria 159(2) ya sheria za makampuni Kifungu 486 na kuidhinisha wakurugenzi kuweka ada yao.

9. Kujadili mambo mengine yeyote kwa idhini ya Mwenyekiti ambayo ilani ya kuyajadili ilikwisha tolewa masaa 48 kabla kwa Katibu wa Kampuni katika makao makuu ya Kampuni.

Kwa Amri ya Bodi

Emma Wachira
Katibu wa Kampuni

Tarehe: 4 Marchi 2008

Ufahamisho:
Mwanachama aliye na haki ya kuhudhuria na kupiga kura mkutanoni na hana nafasi ya kuhudhuria, ana haki ya kumteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi si lazima awe mwanahisa wa kampuni. Ili uteuzi kukubalika, fomu ya uwakilishi ambayo imeambatanishwa mwisho wa taarifa hii, ni sharti ijazwe kikamilifu na mmiliki hisa na sharti iwasilishwe kwa Katibu wa Kampuni Pan Africa House, Kenyatta Avenue, S.L.P 10493, 00100 Nairobi, au itumwe, ili ifike katika tarehe isiyopita jumatatu 19 Mei 2008 saa tano asubuhi.

Corporate Governance Report

Principles of Corporate Governance

At Pan Africa Insurance Holdings Limited, we recognise that ethical business practices and the integrity of our internal systems are key to the enhancement of our financial performance and sustainability, and we therefore remain committed to achieving the highest standards of corporate governance and business ethics by Management to the Board, by the Board to its shareholders, and by the Group to its policyholders, customers, regulatory authorities and the Government of Kenya. The Board of Directors is accountable to shareholders for ensuring that the Company complies with the law and the highest standards of corporate governance and business ethics. The Directors attach great importance to the need to conduct business and operations of the Group with generally accepted practice and endorse the internationally developed principles of good corporate governance.

The Group continues to adhere to the provisions and principles of good corporate governance as set out by the Guidelines on Corporate Governance practices by public listed companies in Kenya issued by the Capital Markets Authority.

In 2007 the Board continued to implement the following policies to guide the operations of the Group:

1. **Code of Ethics:** This outlines 10 ethical principles that are designed to prevent an employee from engaging in any activity that would raise questions as to the Group's integrity, respect for diversity, impartiality or reputation.
2. **Gift Policy:** This outlines the policy of giving and receiving gifts by employees and is designed to prevent the unfair granting of a gift or a favour.
3. **Financial Crime Combating Policy:** This outlines the guidelines of combating financial crime and unlawful conduct and provides a framework for which this can be prevented, detected, investigated and dealt with.
4. **Zero Tolerance Approach:** Financial crimes and unlawful conduct are not tolerated in the Company as stipulated by this policy. The policy further outlines the consequences of committing a financial crime and unlawful conduct.
5. **Schedule of Offences:** This policy defines the different instances of unlawful conduct and the sanctions.

Self-Evaluation

The Board undertakes a Board and Sub-Committee effectiveness review as a form of self-evaluation annually for the Board and its Committees. This enables the Board to review its performance collectively together with the performance of the Chairman, Chief Executive and the Company Secretary in the conduct of board matters. The results of the evaluations are discussed and action plans tabled to strengthen the evaluation processes.

Board Composition

The Board consists of eight directors comprising the Chairman as an independent non-executive director, the Chief Executive as the only executive director, three directors representing the strategic partner, African Life and three non-executive directors, thus balancing the board composition. The Board is composed of directors with a good mix of skills, experience and competences in the relevant fields of expertise and is well placed to take the business to greater heights.

Appointments to the Board

During 2007, Joshua Kituri resigned as a director of the Company. Douglas Lacey was appointed as a director in his place. As the Divisional Chief Executive of the Rest of Africa, Douglas brings to the Board significant expertise and experience in life insurance. Heinie Werth also resigned as a director of the Company and was subsequently replaced by William Dommisse who was previously his alternate director.

Re-election to the Board

In accordance with the provisions of the Company's Article's of Association, all the directors retire by rotation every three years and are eligible to offer themselves for re-election. In every year, new directors who are appointed during the year to fill any casual vacancies, are subject to election by the shareholders during the Annual General Meeting and thereafter offer themselves for re-election every three years.

Responsibilities

The primary responsibility of the Board is to lead and control the Pan Africa Group. The Board meets at least four times during the year to review the financial performance and operations of the Group. At these meetings, the Board also considers strategic matters and other issues that will impact on the Group financial position and reputation. The Board further considers matters aimed at ensuring competent management of the business, internal controls and compliance with laws and regulations and reporting performance to shareholders.

Role of the Chairman Versus the Chief Executive

The roles of the Chairman and the Chief Executive are clearly defined and separated. Whereas the day-to-day executive management of the Group has been delegated to the Chief Executive, detailed discussions on audit, investments and remuneration have been delegated to committees (described later in this Annual Report), while the running of the Board is the responsibility of its Chairman. The Chief Executive directs the implementation of the Board decisions and instructions on the general management of the Group with the assistance of the Executive Management.

Responsibility for Financial Reporting

It is the responsibility of the directors to prepare financial statements that give a true and fair view of the state of affairs of the Group and its subsidiaries. This requires the directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. The Board is also responsible for safeguarding the assets of the Group.

Operations

The diverse skills, experience and professions of the directors enliven the deliberations of the Board. The profiles of the directors are described in page 6 of this Annual Report. By way of summary, the Board benefits from the professional knowledge of its members in accounting, architecture, entrepreneurship, insurance, finance, law and management. It is important that the Board has proper information supplied to it in a timely manner. Notices of Board meetings are circulated at least 21 clear days before Board meetings and agendas for meetings and detailed Board papers are circulated at least 7 clear days before any Board meeting. To ensure the continuous flow of information, the Group encourages dialogue and meetings between members of the Board and senior management outside of the formal quarterly Board meetings. Directors also continually avail themselves on areas of their expertise, particularly, accounting, law, insurance and strategic management.

Remuneration

In remunerating the directors, the Group policy has been to consider, first, the demands and requirements made on the directors in relation to the business of the Group, second, the availability of the directors for ad hoc consultation, professional and business counsel as and when the need arises, third, industry and related companies benchmarks, fourth, international experiences and fifth, the calibre of directors needed to run the Group. The directors have always, are, and will be expected to continue to add value to the business. The financial results indicate that the financial performance of the Group is on an upward trend and it is recognised that this, in part, is due to the improvement of the quality of corporate governance at the board level. The directors' fee is annual but the sitting allowances are only paid subject to attendance at the board and/or committee meetings confirmed by the register of attendance. Both the annual fees and sitting allowance are paid on a quarterly basis.

Service Contracts and Compensation

Apart from the Chief Executive, no director or a party related to a director has a service contract or receives compensation from the Group.

Disclosure of Interests

The directors are under a fiduciary duty to act honestly and in the best interests of the Group. The current practice has been for the directors to disclose their interests every six months and in the event that there are changes, the directors disclose their interest at the next board meeting. Every quarter, the disclosure of interest form is circulated with the board papers for the directors to complete. The Company Secretary is the custodian of these forms.

Board and Committee Structure

The Board is responsible for the management of the Company and formal meetings are therefore of great importance. The Board has delegated some of its responsibilities to three committees to enable it to carry on its responsibilities: Audit & Risk Committee, Investment Committee and Human Resources Committee. The members of the committees were reviewed in 2007.

Audit Committee

The members of the Audit Committee are described in Table 1 below. The proceedings of the Committee are governed by an annual plan that details the specific matters that it must discuss at each quarterly meeting and the Audit Committee charter considers all risks that affect the Group legally, financially, technologically, politically, and to develop measures to manage identified risks. The Committee may in consultation with the Chairperson of the Board, and in co-operation with the Board's Company Secretary obtain outside legal or other independent professional advice.

Specifically, for and on behalf of the board, the Committee is responsible for: Setting and overseeing the overall standard for financial and actuarial reporting, risk management and internal controls within the Company and Group; Monitoring the effectiveness of business risk management processes in the Company and Group; Reviewing and assessing the quality of the work done by the professionals responsible for financial and actuarial reporting, risk management and internal control; Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

The Board of the Company has authorised the Committee to investigate any activity within its terms of reference. The Committee is authorised to seek any information it requires from any employee in the Company or Group, and all employees are expected to co-operate with any request made by the Committee.

Table 1: Audit Committee Membership

	Member	Directorship Status
1	Margaret Dawes (Chairperson)	Non-Executive Director, Finance Director of African Life Group
2	Douglas Lacey	Non-Executive Director, Divisional Chief Executive of the Rest of Africa
3	Baloobhai Patel	Non-Executive Director

Investment Committee

The members of the Investment Committee are described in Table 2. The primary functions of the Investment Committee are: To establish appropriate investment guidelines for the Group; To set investment benchmarks, for example, recommended percentage compositions of property, equities, cash, bonds etc for each of the investment portfolios; To review the actual portfolio compositions against these benchmarks on a quarterly basis; To review the performance of investments and make recommendations where appropriate; To approve the acquisition and disposal of significant investments; To approve capital works on property investments.

Table 2: Investment Committee Membership

	Member	Directorship Status
1	Baloobhai Patel (Chairperson)	Non-Executive Director
2	Margaret Dawes	Non-Executive Director
3	Andrew Greenwood	Executive Director
4	James Gitoho	Non-Executive Director
5	Douglas Lacey	Non-Executive Director, Divisional Chief Executive of the Rest of Africa (SDM)*
6	John Simba	Non-Executive Director

Human Resources Committee

The members of the Human Resources Committee are described in Table 3 below. The proceedings of the committee are governed by its charter and an annual plan which guides the agenda of meetings throughout the year. Specifically, its responsibilities are to ensure that an effective management succession process exists; to regularly evaluate the long-term availability of management expertise; and to give careful attention to succession planning for the positions of the senior management, including making recommendations with regard to the position of Chief Executive.

Table 3: Human Resources Committee Membership

	Member	Directorship Status
1	James Gitoho (Chairperson)	Non-Executive Director
2	Douglas Lacey	Non-Executive Director, Divisional Chief Executive of the Rest of Africa (SDM)*
3	John Simba	Non-Executive Director

Attendance at Meetings

Table 4 summarises the attendance record of the directors at the Board and Committee meetings in 2007. A record of attendance is kept in a register, which is in the Company Secretary's custody. The record of attendance, partial attendance and absence is also noted in the minutes of the meetings.

Table 4: Summary of meetings Attended by Directors during the year ended 31 December 2007

	Board Meetings		Audit Committees		Investment Committee		Human Resources	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Margaret Dawes	4	3	4	4	4	3	4	1
John Simba	4	4	4	3	4	4	4	2
James Gitoho	4	4	4	1	4	4	4	4
Andrew Greenwood	4	4	4	4	4	4	4	4
Baloobhai Patel	4	4	4	4	4	4	4	3
John Burbidge	4	3	4	3	4	3	4	4
Joshua Kituri	2	2	2	1	2	1	2	2
Douglas Lacey/Norman Kelly	2	2	2	2	2	2	2	2
Heinie Werth/William Dommisse	4	3	4	3	3	3	4	3

Notes: (a) Number of meetings convened during the year when the director was a member
(b) Number of meetings attended by the director during the year
*SDM: Sanlam Developing Markets

Professional Advice

The Board is of the view that to carry on its responsibilities in an independent and impartial fashion it should seek and benefit from professional counsel.

Company Secretary

All members of the Board have direct access to the Company Secretary who is responsible for ensuring that board procedures, rules and regulations are followed. As the Company Secretary is also the Chief Legal Officer, she reports independently and directly to the board on litigious matters affecting the Company and its subsidiaries.

Investment Management Services

The Group has significant Investments that need to be managed optimally to ensure the highest possible returns to customers and shareholders. The management and Investment of these funds has been outsourced to SIM (K) Ltd. SIM (K) reports independently and directly to the Board at every quarterly Board meeting.

Property Management Services

A significant component of the Investments within the Group comprise of residential and commercial properties. CBRE is responsible for the management of these commercial properties, collection of rent, general repairs and maintenance. CBRE reports independently and directly to the Board at every quarterly board meeting.

Ernst & Young

Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Company, Ernst & Young examine and give their opinion on the reasonableness of the financial statements. Ernst & Young report independently and directly to the Board at the half year and end year board meetings.

KPMG

They are the group's tax advisors. They were appointed by the Board and liase with management to ensure that the Group optimises its tax position and complies with all tax matters.

Statutory Actuary

Giles Waugh (of Deloitte, South Africa) is the Group's statutory actuary responsible for examining the financial soundness of the Company. He does this by independently valuing the Company assets and policy liabilities. The statutory actuary reports independently and directly to the Board at board meetings where the half results and the end year results are being considered.

Shareholding

Prevention of Insider Trading

Insider trading occurs when a person has knowledge of the Company's affairs before such information is made available to the public. In compliance with the Nairobi Stock Exchange's regulations to prevent insider trading, the Company's policy is that directors, management, staff members, any of their relatives, or any of the business organisations that they exercise significant influence over are not allowed to deal in the Company's shares during the closed season. The closed season is the period between the end of the Company's reporting period and the publication of results. This occurs at the year-end (between 31 December and 31 March) and the half year-end (30 June and 15 August). Details of the directors' shareholding in the Company are summarised in Table 5 below.

Table 5: Directors Shareholding as at 31st December 2007

	Name of Director	Shareholding
1	Baloobhai Patel	8,598,640.00
2	Andrew Greenwood	100,000.00
3	John Simba (Chairman)	10,000.00
4	James Gitoho	4,000.00

Disclosure of Information to shareholders

The Board discloses to shareholders the financial position of the Company three times a year: at the annual general meeting, by publication of the half- year results in the English daily newspapers and by publication of the year-end results in the English daily newspapers. The financial position of the Company together with relevant information such as the share price and on the central depository system are made available for viewing on the Company's website, www.pan-africa.com. The share register is kept at the offices of the Company and a computer database stores this information. The Company Secretary is responsible for the share register and responds to correspondence directly from shareholders. The official books of the Group are kept at the head office of the Company and are available for the perusal of shareholders during working hours. The Company publishes the annual report and audited accounts, which are sent out to all shareholders, entitled to attend the annual general meeting. The Company has an authorised share capital of KShs 500 Million divided into 100 Million shares of KShs 5/= each. 48 Million shares are currently issued.

Top 10 shareholders in the Company

The top 10 shareholders, based on the Company's Register of Members, as at 31 December 2007 are shown in table 6 below:

Table 6: Top ten shareholders as at 31 December 2007

	2007	%	2006	%
	Number of Shares		Number of Shares	
Hubris Holdings Limited	24,000,000.00	50.00	24,000,000.00	50.00
Baloobhai Patel	8,598,640.00	17.91	8,598,640.00	17.91
Kancher Kenya Limited	2,025,028.00	4.22	2,025,028.00	4.22
Thammo Holdings Limited	1,709,943.00	3.56	1,709,943.00	3.56
Barclays (Kenya) Nominees Ltd A/C 9397	728,469.00	1.52	421,587.00	0.88
Robert Kaman Willie Ngigi	716,666.00	1.49	932,860.00	1.94
Cannon Assurance (Kenya) Limited	476,700.00	0.99	505,600.00	1.05
APA Insurance Limited	380,096.00	0.79	384,269.00	0.80
Olympia Capital Holdings Limited	300,000.00	0.63	-	-
Financial Fixtures Limited	287,237.00	0.60	287,237.00	0.60
TOTAL	**39,222,779.00**	**81.71**	**38,865,164.00**	**80.97**

Distribution of shareholders

The Capital Markets Authority requires the Company to provide information on the distribution of the shareholders based on the number of shares owned and based on their nationality. This information is presented in Tables 7 and 8 below:

Table 7: Distribution Schedule

	Number of Shareholders	Number of Shares	%
Less than 1,000	1902	999,711.00	2.0827
1,001 - 5,000	712	1,494,936.00	3.1145
5,001 - 10,000	98	666,062.00	1.3876
10,001 - 50,000	129	2,594,381.00	5.405
50,000 - 100,000	30	2,032,380.00	4.2341
More than 100,000	19	40,212,530.00	83.776
TOTAL	**2890**	**48,000,000.00**	**100**

Table 8: Shareholder's Profile

Category	Number of Shareholders	Number of Shares	%
Local Corporate	53	34,948,708.00	72.80980833
Local Individual	1760	11,534,413.00	24.03002708
East African Individual	886	877,477.00	1.828077083
Foreign Investors	190	638,294.00	1.329779167
East African Corporate	1	1,108.00	0.002308333
TOTAL	**2890**	**48,000,000.00**	**100**

Immobilisation of shares

The Central Depository System came into effect on 1 June 2003. The CDS is a computer system that facilitates the holding of shares in electronic accounts created at the offices of the Central Depository and Settlements Corporation Limited, a company regulated by the Capital Markets Authority. The CDS functions shall include holding jumbo certificates, clearing and settlement for funds and securities, registration with transfer secretaries and corporate actions processing. What this means is that instead of the share registrar processing transfers for shareholders, preparing share certificates and processing dividend cheques, for example, these responsibilities now lie with the CDS. Details of the process of immobilisation and the advantages of this system can be obtained from the Nairobi Stock Exchange website: www.nse.co.ke. The Company commenced operations in February 2005. *A progress report on the immobilisation is presented in Table 9 on the next page.*

Table 9: Immobilisation Report as at 31 December 2007

Item	Amount (KShs)	%
Company's Share Capital	500,000,000.00	100
Number of Un-Issued Shares	452,000,000.00	90.4
Total Number of Issued Shares	48,000,000.00	9.6
Total Number of Shares Immobilised by the CDSC	9,737,445.00	20.28634375
Total Number of Non-immobilised Shares	38,262,555.00	79.71365625

Going Concern

The Board submits this annual report and audited financial statements for the year ending 31 December 2007. The annual report and audited financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Company's position and prospects. The Board reports that the business is a going concern and they have no reason to believe that the Company and its subsidiaries will not be going concerns into the foreseeable future.

John P N Simba
Chairman

4 March 2008

Baloobhai Patel
Director

4 March 2008

Corporate Social Responsibility (CSR)

Introduction

Our CSR policy is to ensure that our social, economic and environmental responsibilities to our stakeholders remain integral to our business. We take seriously all feedback that we receive from our stakeholders and, where possible, maintain open dialogue to ensure that we fulfill the requirements outlined within this policy.

Our focus

To participate in projects aligned to our strategic direction and focus areas as listed below.

- Education
- Contribute to key community issues including alleviation of poverty and HIV/AIDS
- To participate in initiatives towards enhancing the image and reputation of the industry through public education and awareness

During the year, the Group participated in various corporate social responsibility initiatives:

- Donation of blood to the Embu blood bank through the agency force in the Embu branch office
- Donation of blood to the Moi Teaching and Referral Hospital to assist victims of post election violence
- Contribution of Kshs 50,000 to the Moi Teaching and Referral Hospital to support the hospital's capacity affected by the post-election skirmishes
- Contribution of cash and clothes to victims of the post election skirmishes
- Donation of sports equipment and a trophy to Kabare Girls High School
- Visit to SOS Children's home in Buruburu and donation of foodstuff by the agency force in Nairobi Mega Branch

We have outlined the following criteria as a basis for the assessment of each request for sponsorship against the following guidelines:

- Conformity to company objectives/ brand values
- Extent of need
- Availability of funds
- Sustenance of project
- Impact on lives of target group
- Staff involvement

Evaluation

The impact of the CSR program will be continually evaluated to ensure viability and consistency with the strategic objectives of the company. Evaluation will be conducted through the following:

- Measuring impact of CSR on customer satisfaction and loyalty through questionnaires
- Visits to projects to check progress/strengthen partnerships
- Feedback/reports from benefiting communities

Kabare Girls trophy donation

Pan Africa Life donated sports equipment and a trophy to Kabare Girls' School. Pictured are Paul Kibicho, left a financial advisor and John Mbindyo who is the Nairobi Mega Sales Manager.

Blood donation

The Embu branch office organised a blood donati drive in collaboration with the Embu Blood Bank

Statement of Directors' Responsibilities

For the year ended 31 December 2007

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profits of the Group for that year. It also requires the directors to ensure that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the company. They are also responsible for safeguarding the assets of the Group and the Company.

The directors accept responsibility for the annual consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its profits. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

John P.N. Simba
Chairman

4 March 2008

Baloobhai Patel
Director

4 March 2008

Report of the Independent Auditors

For the year ended 31 December 2007

Report on the Financial Statements

We have audited the accompanying financial statements of Pan Africa Insurance Holdings Limited (the Company) and of its subsidiaries, set out on pages 43 to 81, which comprise the balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of Pan Africa Insurance Holdings Limited and its subsidiaries as at 31 December 2007 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Group and the Company, so far as appears from our examination of those books; and
- The Group's and the Company's balance sheets and income statements are in agreement with the books of account.

Ernst & Young

4 March 2008

Company Income Satement

For the year ended 31 December 2007

	2007 KShs'000	2006 KShs'000
Investment return	22,097	-
Income from associated companies	294	266
Dividends received from subsidiary	12,000	57,600
Other income	10,204	69,518
	44,595	**127,384**
Operating expenses	(48,179)	(33,118)
(Loss)/profit before income tax	(3,584)	94,266
Income tax	-	-
(Loss)/profit for the year	**(3,584)**	**94,266**

Group Income Satement

For the year ended 31 December 2007

	Note	2007 KShs'000	Restated 2006 KShs'000
Gross premium income	2	2,070,433	1,396,908
Outward reassurances		(236,763)	(148,713)
Net premium income		**1,833,670**	**1,248,195**
Investment return	3	422,225	404,012
Income from associated companies		1,394	318,214
Commission income		59,015	36,887
Other income	4	42,480	92,389
		525,114	**851,502**
Selling expenses		399,073	235,469
Operating expenses		477,151	414,943
Discontinued operations	6	684	111,831
Policyholder benefits	7	1,424,310	950,952
Less: Reassurance recoveries		(146,042)	(64,805)
		2,155,176	**1,648,390**
Profit before income tax		203,608	451,307
Income tax charge	9	(2,536)	(25,496)
Profit for the year		**201,072**	**425,811**
Basic and diluted earnings per share (KShs)	36	4.19	8.87
Dividends:			
Proposed final dividend	13	**76,800**	**69,120**

according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

p) Employee entitlements

i. Retirement benefit obligations

The Group operates a defined contribution retirement benefit scheme for qualifying employees. The group and all its employees also contribute to the National Social Security Fund which is also a defined contribution scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

ii. Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

q) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

r) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

s) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

t) Risk and Capital Management

The Group has adopted IFRS 7 Financial Instruments: Disclosures and the revised IAS 1:- Presentation of Financial statements. Note 34 details the Capital Management Policy while Note 35 details the nature and extent of risks arising from financial instruments and the approach the Group has adopted to mitigate these risks.

u) Expenses

i) Expenses are recognised in the income statement when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means in effect that recognition of an increase in liabilities or a decrease in an asset (for example the accrual of employee entitlements or the depreciation of equipment).

ii) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the income statement on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

iii) An expense is recognised immediately in the income statement when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset.

the specific software. These costs are amortised over their estimated useful lives (three to five years).

k) Investments

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date:

i. Financial assets at fair value through profit or loss

Management has designated quoted shares as investments at fair value through profit or loss. Previously quoted shares were classified as available for sale.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are disclosed on the face of the balance sheet at amortised cost.

iii. Held–to-maturity investments

Held–to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group has the positive intention and ability to hold to maturity. Held-to-maturity investments comprise government securities, commercial paper and corporate bonds.

Purchases and sales of investments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

l) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

m) 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 the lease.

n) Land and development

Land and development, comprising plots held for resale, is stated at the lower of cost and net realisable value. The cost of land and development includes infrastructure costs incurred in respect of unsold plots, which are deferred and released to income as the land is sold.

o) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due that are different from those of segments operating in other economic environments.

e) Income recognition

Premium income on individual life policies is recognised on the basis of premium instalments expected during the year.

Group life premiums are accounted for when receivable and collection is reasonably assured.

Commissions receivable are recognised as income in the period in which they are earned.

Investment income is stated net of investment expenses. Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

Rental income is recognised as income in the period in which it is earned.

f) Policyholder benefits

Policyholder benefits incurred comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policyholders and are discounted to the present value.

g) Deposit administration contracts

The group administers the funds of a number of retirement benefit schemes. The liability of the group to the schemes is included in the balance sheet.

h) Property and equipment

All categories of property and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on valuations by external independent valuers. All other property and equipment is stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the income statement.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amount to their residual values over their estimated useful lives, as follows:

Buildings	Over the unexpired lease period
Equipment and Motor vehicles	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

i) Investment property

Buildings, or part of a building, and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are included in investment income in the income statement.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to the income statement.

j) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use

1. a) Definition of Embedded Value

This report sets out the embedded value and the value of new business of Pan Africa Insurance Holdings Limited (PAIHL). The embedded value represents an estimate of the economic value of the Company excluding the value attributable to future new business. The embedded value comprises:

- The value of the shareholders' net assets; plus
- The value of the in-force business.

The value of in-force business is the present value of future profits arising from business in force at the valuation date, discounted at the risk discount rate.

b) European Embedded Value Principles (EEV)

Revised embedded value guidance from the Chief Financial Officer's (CFO) Forum's European Embedded Value (EEV) Principles, becomes effective for reporting periods ending on or after 31 December 2008. The methodology and assumptions used to determine the embedded value of the covered business on 31 December 2007 has been adjusted in preparation for the revised guidance, as follows:

i) The equity risk premium assumption is increased from 2.0% to 3.5%; and

ii) The cost of capital is based on the higher of an internally assessed level of required capital and the minimum statutory capital adequacy requirement. In line with the wider Sanlam Group methodology, the internally assessed level of required capital for PAIHL is now set at the Statutory required Net Present Value (NPV) liabilities added to double the minimum statutory capital adequacy requirement and less the Financial Soundness Valuation (FSV) liabilities.

	As at 31 Dec 2007 KShs'000	Restated As at 31 Dec 2006 KShs'000
2. Embedded Value Results		
Group embedded value		
Shareholders' adjusted net assets	1,883,360	1,747,909
Net Value of in-force business	1,091,975	806,488
Gross value of in-force business	1,094,660	806,488
Cost of CAR	(2,685)	-
Embedded value	**2,975,335**	**2,554,397**

that are different from those of segments operating in other economic environments.

e) Income recognition

Premium income on individual life policies is recognised on the basis of premium instalments expected during the year.

Group life premiums are accounted for when receivable and collection is reasonably assured.

Commissions receivable are recognised as income in the period in which they are earned.

Investment income is stated net of investment expenses. Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

Rental income is recognised as income in the period in which it is earned.

f) Policyholder benefits

Policyholder benefits incurred comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policyholders and are discounted to the present value.

g) Deposit administration contracts

The group administers the funds of a number of retirement benefit schemes. The liability of the group to the schemes is included in the balance sheet.

h) Property and equipment

All categories of property and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on valuations by external independent valuers. All other property and equipment is stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the income statement.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amount to their residual values over their estimated useful lives, as follows:

Buildings	Over the unexpired lease period
Equipment and Motor vehicles	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

i) Investment property

Buildings, or part of a building, and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are included in investment income in the income statement.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to the income statement.

j) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (KShs) rounded to the nearest one thousand and prepared under the historical cost convention, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

b) Adoption of new and revised standards

In 2007, the following new and revised standards and interpretations became effective for the first time and have been adopted by the company where relevant to its operations.

- *IAS 1 Amendment, Capital Disclosures.* The amendment to IAS 1 introduces disclosures about the level of the company's capital and how it manages capital.

- *IFRS 7, Financial Instruments: Disclosures.* IFRS 7 introduces new disclosures relating to financial instruments.

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard and new standard and interpretations will be mandatory for the company's accounting periods beginning on or after 1 January 2008, but which the company has not early adopted:

- *IFRIC 11 – Group and Treasury Share Transactions – from 1 January 2008.*
- *IFRIC 12 – Service Concession Arrangements – from 1 January 2008.*
- *IFRS 8 – Operating segments – from 1 January 2009.*
- *IAS 23 – Borrowing costs (revised) – from 1 January 2009.*

The directors are assessing the relevance of these amendments and interpretations with respect to the company's operations.

c) Consolidation of new revised standards

i. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

ii. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of pre-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns

6. Sensitivities

This section illustrates the effect of different assumptions on the value of in-force business net of cost of capital. The effect of assumption changes in the Net Premium Valuation has been included in the value of in-force business. For each sensitivity illustrated all other assumptions have been left unchanged.

	Value of in-force KShs'000	% change over base
Values as at 31 December 2007	1,091,975	
Policy discontinuance rate increases by 10% e.g. from 10% to 11%	1,093,993	0.2%
Future expense increases by 10%	1,003,683	-8.1%
Expense inflation increases by 1% e.g. from 10% to 11%	1,080,838	-1.0%
Mortality and morbidity experience increases by 10%	1,067,279	-2.3%
Investment returns decrease by 1% e.g. from 10% to 9%	1,025,681	-6.1%
Premium increase take-up rate decreases by 10% e.g. from 90% to 81%	1,085,478	-0.6%

The sensitivity of the value of new business is as follows:

Value of one year's new business as at 31 December 2007	250,812	
Policy discontinuance rate increases by 10% e.g. from 10% to 11%	235,233	-6.2%
Future expense increases by 10%	213,162	-15.0%
Expense inflation increases by 1% e.g. from 10% to 11%	235,358	-6.2%
Mortality and morbidity experience increases by 10%	219,909	-12.3%
Investment returns decrease by 1% e.g. from 10% to 9%	226,204	-9.8%
Premium increase take-up rate decreases by 10% e.g. from 90% to 81%	236,018	-5.9%
Increase in non-commission acquisition expenses by 10%	215,267	-14.2%

Assumed Management Action

Mortality charges have been assumed to change in line with the costs of providing benefits.

Giles T Waugh MA, FIA, FASSA, ASA
Statutory Actuary, Fellow of the Institute of Actuaries

04 March 2008

4. Sensitivity To The Risk Discount Rate

The risk discount rate appropriate to an investor will vary depending on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future profits of the African Life Group. The sensitivity of the embedded value to the risk discount rate is set out below.

Risk Discount Rate	14%	15%	16%
Shareholder's net assets	1,883,360	1,883,360	1,883,360
Value of in-force business	1,127,064	1,091,975	1,063,939
Embedded value	3,010,424	2,975,335	2,947,299
Value of one year's new business at valuation date	267,192	250,812	244,843

5. Assumptions

The assumptions used in the calculation of the embedded value are based on the company's best estimate of future experience The main assumptions used are as follows:

a) Economic Assumptions

The main economic assumptions (p.a.) used are as follows:

	% p.a	% p.a
Risk Discount rate	15.00	16.00
Overall investment return (pre tax)	11.10	11.60
Expense Inflation rate	8.00	8.00

b) Mortality Rates

The assumptions for future mortality rates are based on the results of recent experience investigations conducted by the company. Allowance has been made for expected future AIDS mortality using a table derived for Kenyan experience.

c) Expenses

The maintenance expense assumption is based on the results of recently conducted internal expense investigations.

d) Premium Escalations

The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the year to 31 December 2007.

e) Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of recent experience investigations conducted by the company.

f) Tax

Allowance was made for the current life office taxation basis.

Embedded value earnings

The embedded value earnings are derived as follows:

	As at 31 Dec 2007 KShs'000	Restated As at 31 Dec 2006 KShs'000
Embedded value at end of year	2,975,335	2,554,397
Embedded value at beginning of year	(2,554,397)	(1,506,826)
Change in embedded value	420,938	1,047,571
Dividends paid and new capital	69,120	57,600
European Embedded Value Methodology Change	(22,990)	-
Embedded value earnings	**467,068**	**1,105,171**
These earnings can be analysed as follows:		
Adjustment to fair value of subsidiary	-	445,175
Roll forward	191,510	134,343
Investment return on free assets	23,007	42,259
Expected return on life business in force	168,503	92,084
Change over the period	275,558	525,653
Value of new business at end of year	250,812	163,993
Value of new business at point of sale	233,883	152,263
Expected return on new business to end of year	16,929	11,730
Changes in assumptions and methodology	(29,973)	97,813
Experience variations	15,076	78,149
Increase in NAV for other subsidiaries	39,643	185,697
Cost of CAR	-	-
Total earnings	**467,068**	**1,105,171**

3. Value of New Business

The value of new business represents the value of projected profits at the point of sale arising from new policies sold during the year to 31 December 2007, accumulated to the end of the year at the risk discount rate.

Value of new business as at December 2007	250,812	163,993
Value at point of sale	233,883	152,263
Expected return	16,929	11,730

1. a) Definition of Embedded Value

This report sets out the embedded value and the value of new business of Pan Africa Insurance Holdings Limited (PAIHL). The embedded value represents an estimate of the economic value of the Company excluding the value attributable to future new business. The embedded value comprises:

- The value of the shareholders' net assets; plus
- The value of the in-force business.

The value of in-force business is the present value of future profits arising from business in force at the valuation date, discounted at the risk discount rate.

b) European Embedded Value Principles (EEV)

Revised embedded value guidance from the Chief Financial Officer's (CFO) Forum's European Embedded Value (EEV) Principles, becomes effective for reporting periods ending on or after 31 December 2008. The methodology and assumptions used to determine the embedded value of the covered business on 31 December 2007 has been adjusted in preparation for the revised guidance, as follows:

i) The equity risk premium assumption is increased from 2.0% to 3.5%; and

ii) The cost of capital is based on the higher of an internally assessed level of required capital and the minimum statutory capital adequacy requirement. In line with the wider Sanlam Group methodology, the internally assessed level of required capital for PAIHL is now set at the Statutory required Net Present Value (NPV) liabilities added to double the minimum statutory capital adequacy requirement and less the Financial Soundness Valuation (FSV) liabilities.

	As at 31 Dec 2007 KShs'000	Restated As at 31 Dec 2006 KShs'000
2. Embedded Value Results		
Group embedded value		
Shareholders' adjusted net assets	1,883,360	1,747,909
Net Value of in-force business	1,091,975	806,488
Gross value of in-force business	1,094,660	806,488
Cost of CAR	(2,685)	-
Embedded value	**2,975,335**	**2,554,397**

...**Sincere**, in covering
your important life insurance and
financial needs.

Certificate of Solvency in respect of Pan Africa Life Assurance Limited's Life and Pension Policies

I have conducted a statutory actuarial valuation of the long-term business of Pan Africa Life Assurance Limited as at 31 December 2007.

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 2007.

Giles T Waugh
Statutory Actuary
MA, FIA, FASSA, ASA
Fellow of the Institute of Actuaries

4 March 2008

...Advancing,
planning, achieving.

Group Balance Sheet

For the year ended 31 December 2007

	Note	2007 KShs'000	Restated 2006 KShs'000
Capital Employed			
Share capital	10	240,000	240,000
Share premium	10	364,431	364,431
Revaluation surplus		10,936	7,436
Retained earnings		700,968	744,550
Transfer to life funds	11	(170,322)	(224,006)
General fund	12	292,172	170,322
Shareholders' Funds		**1,438,185**	**1,302,733**
Represented By:			
Assets			
Property and equipment	14(a)	60,147	62,886
Intangible assets	15	5,289	4,362
Investment property	16	234,500	439,000
Investment in associate	18	648,748	657,305
Mortgage loans	20	121,242	98,370
Policy loans		304,011	198,641
Land and development		47,733	39,825
Current income tax		23,293	23,293
Government securities	21	1,874,949	1,392,819
Commercial paper		47,958	192,381
Reassurers' share of technical provisions and reserves		50,900	36,395
Receivables arising out of reassurance arrangements		6,837	6,013
Other receivables	23	98,969	196,813
Receivables arising out of direct insurance arrangements		151,400	75,011
Financial assets at fair value through profit or loss	24	1,108,467	925,146
Deposits with financial institutions		1,054,350	276,172
Cash and bank balances		62,670	59,317
Total Assets		**5,901,463**	**4,683,749**
Liabilities			
Insurance contract liabilities	25	3,236,924	2,401,988
Amounts payable under deposit administration contracts	26	293,372	229,657
Claims reported and claims handling expenses		135,668	115,944
Creditors arising from reassurance arrangements		63,248	36,830
Other payables	27	734,066	596,597
Total Liabilities		**4,463,278**	**3,381,016**
Net Assets		**1,438,185**	**1,302,733**

The financial statements on pages 43 to 81 were approved by the Board of Directors on 4 March 2008 and signed on its behalf by:

John P N Simba
Chairman

4 March 2008

Baloobhai Patel
Director

4 March 2008

Company Balance Sheet

For the year ended 31 December 2007

	Note	2007 KShs'000	Restated 2006 KShs'000
Capital Employed			
Share capital	10	240,000	240,000
Share premium	10	364,431	364,431
Retained earnings		635,757	708,461
Transfer to life funds	11	(224,006)	(297,001)
Shareholders' Funds		**1,016,182**	**1,015,891**
Represented By			
Assets			
Property and equipment	14(b)	246	341
Investment property	16	6,000	6,000
Investment in subsidiaries	17	1,010,212	1,010,212
Investment in associates	18	8,650	8,356
Land and development		47,732	39,825
Current income tax		13,680	13,680
Government securities	21	109,928	-
Commercial paper		3,815	-
Financial assests at fair value through profit and loss	24	57,910	-
Other receivables	23	41,332	112,640
Deposits with financial institutions		77,915	-
Cash and bank balances		18,303	8,412
		1,395,723	**1,199,466**
Liabilities			
Other payables	27	379,541	183,575
Total Liabilities		**379,541**	**183,575**
Net Assets		**1,016,182**	**1,015,891**

The financial statements on pages 43 to 81 were approved by the Board of Directors on 4 March 2008 and signed on its behalf by:

John P N Simba
Chairman

4 March 2008

Baloobhai Patel
Director

4 March 2008

Group Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Share capital KShs'000	Share premium KShs'000	Transfert to life fund KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	General fund KShs'000	Shareholders' funds
Year ended 31 December 2006								
At the start of the year		240,000	364,431	(297,001)	4,253	619,656	-	931,339
Profit for the year		-	-	-	-	425,811	-	425,811
Transfer to shareholders' fund	1.1	-	-	72,995	-	(243,317)	170,322	-
Revaluation of building held at amortised cost		-	-	-	1,364	-	-	1,364
Share of associates revaluation gain on freehold land and buildings		-	-	-	2,598	-	-	2,598
Share of associates deferred tax gain		-	-	-	(779)	-	-	(779)
Dividends:								
Final for 2005 paid	13	-	-	-	(57,600)		-	(57,600)
At end of year		**240,000**	**364,431**	**(224,006)**	**7,436**	**744,550**	**170,322**	**1,302,733**
Year ended 31 December 2007								
At the start of the year								
As previously reported		240,000	364,431	(53,684)	7,436	769,134	-	1,327,317
Prior year adjustment	28	-	-	(170,322)	-	(24,584)	170,322	(24,584)
At the start of the year - restated		240,000	364,431	(224,006)	7,436	744,550	170,322	1,302,733
Profit for the year		-	-	-	-	201,072	-	201,072
Transfer to shareholders' fund	11	-	-	53,684	-	(53,684)		-
Transfer to general reserve	12	-	-	-	-	(121,850)	121,850	-
Revaluation of buildings held at amortised cost		-	-	-	2,521	-	-	2,521
Share of associates revaluation gain on freehold land and buildings		-	-	-	979	-	-	979
Share of associates deferred tax gain		-	-	-	-	-	-	-
Dividends:								
Final for 2006 paid	13	-	-	-	-	(69,120)	-	(69,120)
At end of year		**240,000**	**364,431**	**(170,322)**	**10,936**	**700,968**	**292,172**	**1,438,185**

Company Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Share capital KShs'000	Share premium KShs'000	Transfer to life fund KShs'000	Retained earnings KShs'000	Shareholders' funds
Year ended 31 December 2006						
At start of the year		240,000	364,431	(297,001)	671,795	979,225
Profit for the year		-	-	-	94,266	94,266
Dividends:						
Final for 2005 paid		-	-	-	(57,600)	(57,600)
At end of year		**240,000**	**364,431**	**(297,001)**	**708,461**	**1,015,891**
Year ended 31 December 2007						
At start of the year before Transfer to life fund		240,000	364,431	(297,001)	708,461	1,015,891
Transfer from life funds	11	-	-	72,995	-	72,995
Loss for the year		-	-	-	(3,584)	(3,584)
Dividends:						
Final for 2006 paid	13	-	-	-	(69,120)	(69,120)
At end of year		**240,000**	**364,431**	**(224,006)**	**635,757**	**1,016,182**

Group Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 KShs'000	Restated 2006 KShs'000
Operating activities			
Cash generated from operations	32	881,868	378,810
Interest income		240,071	179,118
Tax paid		-	(1,321)
Net cash from operating activities		**1,121,939**	**556,607**
Investing activities			
Purchase of property and equipment	14(a)	(14,927)	(30,181)
Purchase of quoted shares	24	(725,067)	(292,339)
Purchase of Government securities		(703,619)	(299,950)
Purchase of commercial paper		153,985	(42,361)
Mortgage loans advanced	20	(39,278)	(24,291)
Mortgage loan repayments		16,405	15,133
Net policy loans advanced		(105,370)	(90,305)
Proceeds from the sale of Government securities		246,296	20,950
Proceeds from disposal of investment property	16	221,312	-
Proceeds from disposal of quoted shares		673,659	104,296
Dividend received from associate		8,394	7,195
Purchase of software		(3,078)	(2,573)
Net cash used in investing activities		**(271,288)**	**(634,426)**
Financing activities:			
Dividends paid		(69,120)	(57,600)
Net cash used in financing activities		**(69,120)**	**(57,600)**
Increase/(decrease) in cash and cash equivalents		**781,531**	**(135,419)**
Movement in cash and cash equivalents at start of year			
At the start of the year		335,489	470,908
Increase/(decrease) in cash and cash equivalents		781,531	(135,419)
At end of year	31	**1,117,020**	**335,489**

1. Business Segment Information

The core activity of the Group is in the carrying out of long term insurance business. The Group also has interests in an investment company, a general insurance business and a company involved in the development and sale of plots.

The above segmental reporting has been done on the basis of IAS 14. Effective 1 January 2009, the Group will adopt IFRS 8 which was replaced on 30 November 2006 by IASB. IFRS 8 is effective for the annual periods beginning on or after 1 January 2009.

	Long term Insurance KShs'000	Investments General Business KShs'000	Property Development KShs'000	Total KShs'000
Year ended 31 December 2007				
Gross premium income	2,070,433	-	-	2,070,433
Net premium income	1,833,670	-	-	1,833,670
Other income:				
Investment income	365,447	34,681	22,097	422,225
Miscellaneous income	78,057	13,232	10,204	101,493
Share of associate's profit	-	1,100	294	1,394
Segment inflows	2,277,174	49,013	32,595	2,358,782
Segment outflows	(2,101,640)	(5,355)	(48,179)	(2,155,174)
Profit before income tax	175,534	43,658	(15,584)	203,608
Income tax expense	-	(2,536)	-	(2,536)
Net profit for the year	**175,534**	**41,122**	**(15,584)**	**201,072**
Segment assets	4,492,094	1,106,614	302,761	5,901,463
Segment liabilities	4,137,785	220,835	104,659	4,463,279
Capital expenditure	18,005	-	-	18,005
Depreciation	22,316	-	-	22,316
Year ended 31 December 2006				
Gross premium income	1,396,908	-	-	1,396,908
Net premium income	1,248,195	-	-	1,248,195
Other income:				
Investment income	424,326	(20,314)	-	404,012
Miscellaneous income	40,382	2,745	86,149	129,276
Share of associate's profit	-	317,948	266	318,214
Segment inflows	1,712,903	300,379	86,415	2,099,697
Segment outflows	(1,469,586)	(121,022)	(57,782)	(1,648,390)
Profit before income tax	243,317	179,357	28,632	451,306
Income tax expense	-	(19,428)	(6,068)	(25,496)
Net profit for the year	**243,317**	**159,929**	**22,564**	**425,810**
Segment assets	3,521,179	1,055,080	176,326	4,752,585
Segment liabilities	3,075,011	240,541	109,709	3,425,261
Capital expenditure	32,754	-	-	32,754
Depreciation	21,438	-	-	21,438

	2007 KShs'000	2006 KShs'000

2. Gross Premium Income

The principal activity of the Group is the underwriting of long-term insurance business as defined by the Insurance Act. Premium income can be analysed between the two main classes as follows:

	2007 KShs'000	2006 KShs'000
New business:		
Recurring		
Individual life	181,510	158,141
Group business	125,845	55,777
Single premiums:		
Individual life	29,393	21,439
Group business	551,301	199,065
Total new business	**888,049**	**434,422**
Renewal recurring:		
Individual life	1,007,588	837,180
Group business	174,796	125,306
Total renewal premium income	**1,182,384**	**962,486**
Total premium income	**2,070,433**	**1,396,908**

3. Investment Return

	2007 KShs'000	2006 KShs'000
Interest from government securities	192,151	119,726
Interest from bank deposits	69,877	19,290
Interest from loans	19,315	30,645
Dividends from listed companies	13,675	19,555
Rental income from investment properties	1,446	48,415
Investment expenses	(56,021)	(42,572)
Treasury bonds	44,321	-
Investment properties fair value gain/(loss) (note 16)	15,500	(38,000)
Quoted shares(note 24)	198,421	246,953
Unrealised gain on shares(note 24)	(79,133)	-
Corporate bonds and commercial papers	2,673	-
	422,225	**404,012**

4. Other Income

	2007 KShs'000	2006 KShs'000
Sale of plots	10,150	72,450
Debt recovery	22,000	198
Profit commission	17,752	4,140
Miscellaneous	231	2,899
Impairment of car loans/debtors	-	(5,440)
Fees on services and deposit administration contracts	-	4,795
(Loss)/gain on disposal	(7,653)	13,347
	42,480	**92,389**

		2007 KShs '000	2006 KShs '000
5.	**Operating Expenses**		
	Other expenses include:		
	Staff costs(note 8)	217,591	191,296
	Amortisation and depreciation(note 14 and 15)	22,316	21,227
	Fees for managerial and administrative services:	9,305	9,971
	Auditor's remuneration	2,970	2,250
	Tax audit	1,114	268
	Legal	2,751	1,378
	Actuarial	2,470	6,075
	Repairs and maintenance	2,521	1,903
	Impairment provision on mortgage loans	-	677
	Premium tax and stamp duty	19,038	16,606

6. Discontinued Operations

On 31 December 2003, the group transferred its general insurance to APA Insurance Limited. For comparative purposes during 2007, this has been accounted for as the cost of discontinued operations and is comprised of:

	2007	2006
Provision for outstanding claims	-	53,561
Provision for expenses	684	3,973
Provision for guarantees	-	43,904
Impairment charge on reinsurance receivables	-	10,393
	684	**111,831**

7. Policyholder Benefits

	2007	2006
Gross death and disability claims	328,991	190,123
Maturity and survival benefits	196,886	161,166
Policy surrenders	66,708	89,235
Interest declared to deposit administration funds	23,006	31,086
Change in actuarial value of insurance contract liabilities	808,719	479,342
	1,424,310	**950,952**

8. Staff Costs

	2007	2006
Staff costs include the following:		
Retirement benefit costs	12,237	9,699
Social security benefit costs	412	455
Other expenses	204,942	181,142
	217,591	**191,296**

9. Income Tax

	2007	2006
Current income tax	-	-
Deferred income tax (note 19)	-	6,068
Current year tax charge	-	6,068
Share of Associates' tax (note 18)	2,536	19,428
	2,536	**25,496**

9. Income Tax *continued*

	2007 KShs'000	Restated 2006 KShs'000

The tax on the group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

Reconciliation of taxation expense to tax based on accounting profit:-

	2007 KShs'000	Restated 2006 KShs'000
Profit before income tax	**203,608**	**451,307**
Tax calculated at a statutory rate of 30%	61,082	135,392
Tax effect of:		
Income not subject to tax	(229,905)	(314,274)
Expenses not deductible for tax	15,313	87,234
Deferred income tax asset not recognised	158,444	117,144
Prior year adjustments (associates)	(2,398)	-
Income tax charge	**2,536**	**25,496**

10. Share Capital And Share Premium

	Ordinary shares KShs '000	Share premium KShs '000
At start and end of year	**240,000**	**364,431**

The total authorised number of ordinary shares is 100,000,000 with a par value of KShs 5 per share. There are 48,000,000 shares in issue with a par value of KShs 5 per share. All issued shares are fully paid.

11. Transfer To Life Funds

During 2001, the directors authorised a transfer of KShs 297,001,000 from shareholders' funds to the individual life fund to finance an actuarial deficit arising from new business strain and the write down of certain investment properties. A provision from the surplus in the Life Fund of KShs 121,850,000 (2006: KShs 170,322,000) has been made in a General Fund. No distribution has been made to the profit and loss account in accordance with the insurance act.

12. 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 Income statement and the statutory funds are made upon recommendation of the actuary. This movement has been shown in the statement of changes in equity, page 51.

13. Dividends

At the annual general meeting to be held on 21 May 2008, a dividend in respect of the year ended 31 December 2007 of KShs 1.60 per share amounting to a total of KShs 76,800,000 is to be proposed. At the annual general meeting held on 13 June 2007 a dividend in respect of the year ended 31 December 2006 of KShs 1.44 per share amounting to a total of KShs 69,120,000 was declared. Payment of dividends is subject to withholding tax at the rate of either 5% or 10%, depending on the residence of the individual shareholders.

14. a) Property and Equipment - Group

Year ended 31 December 2007

	Buildings KShs '000	Motor vehicle KShs '000	Furniture fittings & equipment KShs '000	Total KShs '000
Cost or valuation				
At the start of the year	12,819	13,428	102,886	129,133
Additions	-	-	14,927	14,927
Revaluations	2,265	-	-	2,265
Disposals	-	(3,032)	(24)	(3,056)
At end of year	**15,084**	**10,396**	**117,789**	**143,269**
Accumulated depreciation				
At the start of the year	2,084	8,792	55,371	66,247
Charge for the year	256	2,641	17,268	20,165
Revaluations	(256)	-	-	(256)
Disposals	-	(3,032)	(2)	(3,034)
At end of year	**2,084**	**8,401**	**72,637**	**83,122**
Net book value				
At end of year	**13,000**	**1,995**	**45,152**	**60,147**

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciation property and equipment with a cost of KShs 43,422,990 (2006: KShs 33,448,180) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 8,006,508 (2006: KShs 5,576,217).

Year ended 31 December 2006

	Buildings KShs '000	Motor vehicle KShs '000	Furniture fittings & equipment KShs '000	Total KShs '000
Cost or valuation				
At the start of the year	23,951	13,428	72,705	110,084
Additions	-	-	30,181	30,181
Revaluations	312	-	-	312
Reclassification to investment property	(11,444)	-	-	(11,444)
At end of year	**12,819**	**13,428**	**102,886**	**129,133**
Accumulated depreciation				
At the start of the year	8,410	6,037	38,928	53,375
Charge for the year	170	2,755	16,443	19,368
Revaluations	(1,052)	-	-	(1,052)
Reclassification to investment property	(5,444)	-	-	(5,444)
At end of year	**2,084**	**8,792**	**55,371**	**66,247**
Net book value				
At end of year	**10,736**	**4,636**	**47,515**	**62,886**

14. b) Property and Equipment - Company *continued*

At 31 December 2007

	Furniture & equipment KShs '000	Total KShs '000
Cost		
At the start of the year	560	560
Additions	-	-
At end of year	**560**	**560**
Accumulated depreciation		
At the start of the year	219	219
Charge for the year	95	95
At end of year	**314**	**314**
Net book value:		
At 31 December 2007	**246**	**246**
At 31 December 2006	341	341

15. Intangible Assets (Software)

	Company		Group	
	2007 KShs '000	2006 KShs '000	2007 KShs '000	2006 KShs '000
Cost				
At the start of the year	-	-	7,437	4,864
Additions	-	-	3,078	2,573
At end of year	-	-	**10,515**	**7,437**
Accumulated depreciation				
At the start of the year	-	-	3,075	1,216
Charge for the year	-	-	2,151	1,859
At end of year	-	-	5,226	3,075
Net book value	-	-	**5,289**	**4,362**

16. Investment Property

At the start of the year	6,000	-	439,000	471,000
Transfer from Mae properties	-	6,000	-	-
Reclassification from property and equipment	-	-	-	6,000
Fair value gain/(loss)	-	-	15,500	(38,000)
Disposals	-	-	(220,000)	-
At end of year	**6,000**	**6,000**	**234,500**	**439,000**

16. Investment Property *continued*

Investment properties are stated at fair value, which has been determined based on valuations performed by Lloyd Masika Limited and Tysons Limited as at 31 December 2007. Lloyd Masika and Tysons Limited are industry specialists in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the income statement.

17. Investment In Subsidiary Companies

		Company	
		2007 KShs '000	**2006 KShs '000**
Pan Africa Life Assurance Limited	100%	331,203	331,203
PA Securities Limited	100%	679,009	679,009
		1,010,212	**1,010,212**

18. Investment In Associate Company

	Company		Group	
	2007 KShs '000	**2006 KShs '000**	**2007 KShs '000**	**Restated 2006 KShs '000**
At the start of the year	8,356	-	657,305	363,895
Transfer from Mae properties	-	8,089	-	-
Share of results before tax	294	267	1,394	318,214
Share of revaluation surplus	-	-	979	1,819
Share of tax	-	-	(2,536)	(19,428)
Dividends received	-	-	(8,394)	(7,195)
At end of year	**8,650**	**8,356**	**648,748**	**657,305**

Associated companies comprise	Principal activity	**2007 Shareholding**	**2006 Shareholding**
APA Insurance Limited	General Insurance	39.97%	39.97%
Runda Water Limited	Water distribution	24.90%	24.90%

APA Insurance limited and Runda Water Limited are incorporated in Kenya.

19. Deferred Income Tax - Group

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2006: 30%). The movement on the deferred income tax account is as follows:

	2007 KShs '000	**Restated 2006 KShs '000**
At the start of the year	-	(6,068)
Deferred tax charge (note 9)	-	6,068
At end of year	-	-

Deferred income tax assets and liabilities and deferred income tax charge/(credit) in the income statement are attributable to the following items :

19. Deferred Income Tax - Group *continued*

	At start of year KShs '000	Charged to equity KShs '000	Charged/(credit) to income statement KShs '000	At end of year KShs '000
Property and equipment	(5,852)	5	(1,094)	(6,946)
Investment property fair value gains	(3,900)	-	-	(3,900)
Quoted shares – fair value gain	102,946	-	4,188	107,134
Provisions	(111,364)	6,063	(2,855)	(108,151)
Tax losses carried forward	(637,201)		(132,428)	(769,629)
	(655,371)	6,068	(132,189)	(781,492)
Pan Africa Life Assurance Limited	508,726	-	120,467	629,193
PA Securities Limited	28,185	-	7,088	35,273
Mae Properties Limited	3,234	-	-	3,234
Pan Africa Insurance Holdings Limited	109,158	-	4,234	113,792
Deferred income tax not recognised	649,303	-	132,189	781,492
Deferred income tax on the balance sheet	(6,068)	6,068	-	-

20. Mortgage loans - Group

	2007 KShs '000	2006 KShs '000
At the start of the year	104,122	94,964
Accrued interest	6,026	5,647
Loans advanced	39,278	24,291
Loan repayments	(22,432)	(20,780)
At end of year	**126,994**	**104,122**
Impairment		
At the start of the year	5,752	5,075
Charge for the year	-	677
At 31 December	5,752	5,752
At end of year	**121,242**	**98,370**
Maturity profile of mortgage loans		
Loans maturing:		
Within 1 year	18,485	15,222
In 1-5 years	60,780	36,848
After 5 years	47,729	52,052
	126,994	**104,122**
Loans at		
Market rate	14,447	15,017
Staff loans	88,878	61,293

	Company		Group	
	2007 KShs '000	2006 KShs '000	2007 KShs '000	2006 KShs '000
21. Government Securities				
Treasury bills and bonds maturing:				
Within 1 year	-	-	336,353	317,377
In 1-5 years	109,928	-	795,555	685,627
After 5 years	-	-	743,041	389,815
	109,928	-	**1,874,949**	**1,392,819**

22. Weighted Average Effective Interest Rate

The following table summarises the weighted average effective interest rates at the year end on the principal interest-bearing investments.

	%	%
Treasury bills	7	9
Treasury bonds	11	10
Mortgage loans and commercial papers	6	8
Deposits with financial institutions	6	8
Policy loans	14	14

23. Other Receivables

Debtors and prepayments	2,098	1,687	64,691	58,396
Amounts due from related parties(note 33)	27,416	27,927	4,885	12,870
Rent outstanding	-	-	8,847	33,581
Plot debtors	14,949	83,026	14,949	83,026
Impairment of plot debtors	(3,131)	-	(3,131)	-
Other non-current assets	-	-	8,728	8,940
At end of year	**41,332**	**112,640**	**98,969**	**196,813**

24. Financial Assets At Fair Value Through Profit And Loss

At the start of the year	-	-	925,146	490,082
Additions	107,255	-	725,067	292,339
Fair value gains	(7,638)	-	119,288	211,321
Disposals	(41,707)	-	(661,034)	(68,596)
At end of year	57,910	-	**1,108,467**	**925,146**

25. Insurance Contract Liabilities

At the start of the year	-	-	2,401,988	1,913,002
Change in policyholder liabilities	-	-	808,719	479,342
Revaluation of policy loans	-	-	26,217	9,644
At end of year	-	-	**3,236,924**	**2,401,988**

26. Amounts Payable Under Deposit Administration Contracts

The liabilities of the company in respect of funds managed under deposit administration contracts are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 12.5% (2006: 12.5%).

	Company		Group	
	2007 KShs '000	Restated 2006 KShs '000	2007 KShs '000	Restated 2006 KShs '000
At the start of the year	-	-	229,657	163,211
Contributions received	-	-	58,655	41,911
Benefits paid	-	-	(17,946)	(19,533)
O/S claims	-	-	-	12,982
Interest credited to the fund	-	-	23,006	31,086
At end of year	-	-	**293,372**	**229,657**

27. Other Payables

	Company 2007	Company 2006	Group 2007	Group 2006
Rent deposits	-	-	18,504	25,136
Amount due to related parties(note 33)	290,316	95,544	33,560	5,678
Warranties	-	-	28,018	28,018
Unclaimed dividends	25,839	23,328	25,839	23,328
Provision for outstanding claims on discontinued operations	-	-	53,381	53,561
Provision for guarantees on discontinued operations	-	-	43,904	43,904
Other creditors and accruals	63,386	64,703	530,860	416,972
	379,541	**183,575**	**734,066**	**596,597**

28. Prior Year Adjustment - Group

The prior year adjustment arose from restatement of the associate's reported earnings for the year 2006. Amounts reported in the financial statements have been restated as follows:

	As reported at 31 Dec 2006 KShs'000	Adjustment KShs'000	As restated at 31 Dec 2006 KShs'000
Assets			
Investment in associate	675,821	(18,516)	657,305
Deferred tax asset	6,068	(6,068)	-
Share Capital And Reserves			
Retained earnings	700,014	(24,584)	675,430
Income Statement			
Share of results of associated company	320,974	(2,760)	318,214
Income tax charge	(3,672)	(21,824)	(25,496)

29. Contingent Liabilities - Group

The Group companies are defendants to legal proceedings filed against them by third parties. Unverified claims have also been placed against the former Pan Africa Insurance Company Limited. The directors are of the opinion that the outcome of these proceedings and claims will not have a material impact on the financial position of the Group.

30. Capital Commitments - Group

	2007 KShs '000	2006 KShs '000
Property and equipment	-	**4,116**

Operating lease commitments

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

	2007 KShs '000	2006 KShs '000
Not later than 1 year	5,269	222
Later than 1 year but not later than 5 years	23,005	4,125
	28,274	**4,347**

31. Cash And Cash Equivalents - Group

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

	2007 KShs '000	Restated 2006 KShs '000
Cash and bank balances	62,670	59,317
Deposits with financial institutions	1,054,350	276,172
	1,117,020	**335,489**

	2007 KShs '000	Restated 2006 KShs '000
32. Cash Generated From Operations- Group		
Reconciliation of profit before income tax to cash generated from operations:		
Profit before income tax	203,608	451,307
Adjustments for:		
Interest income	(240,071)	(179,118)
Impairment provision on mortgage and policy loans	-	677
Fair value (gain)/loss on investment property	(15,500)	38,000
Quoted shares	(119,288)	(246,953)
Treasury Bonds	(44,321)	-
Corporate Bonds and Commercial paper	(2,673)	-
Depreciation (note 5)	22,316	21,227
Profit on disposal of property and equipment	(1,290)	-
Share of results of associated company before income tax	(1,394)	(318,214)
Changes in:		
Receivable from direct insurance arrangements	(76,389)	(2,388)
Receivable from direct reinsurance	(15,329)	96,332
Other receivables	97,844	(83,882)
Land and development	(7,907)	5,165
Actuarial value of policyholder liabilities	834,936	479,292
Payable under deposit administration contracts	63,715	53,505
Technical provisions	19,724	14,427
Payable under direct reinsurance arrangements	26,418	(52,452)
Other payables	137,469	101,885
Cash generated from operations	**881,868**	**378,810**

33. Related Party Transactions - Group

a) Mortgage loans to former directors and companies related to them.

(i) Loans at concessionary rates

	2007	2006
Principal amount	6,036	8,195
Interest on loans	(38)	864
	5,998	**9,059**

(ii) Loans at market rates

	2007	2006
Principal amount	10,661	10,661
Interest on loans	3,258	3,258
	13,919	13,919

The amounts in (i) and (ii) above relate to loans to directors who relinquished their directorships in July 2001.

b) Mortgage loans to current directors at concessionary rates

	2007	2006
Principal amount	**3,166**	**3,279**

33. Related Party Transactions *continued*

	Company 2007 KShs '000	Company 2006 KShs '000	Group 2007 KShs '000	Group 2006 KShs '000
c) Amounts due from related parties				
African Life Assurance Company Limited	-	-	553	4,130
APA Insurance Limited	-	-	1,141	2,941
Sanlam Limited	-	-	-	2,319
Runda Water Limited	16	16	16	16
PA Securities Limited	27,400	27,307	-	-
Staff	-	-	536	660
Hubris Holdings Limited	-	-	2,639	2,200
Former directors and staff	-	604	-	604
	27,416	**27,927**	**4,885**	**12,870**
d) Amounts due to related parties				
African Life Assurance Company Limited	-	-	5,664	-
APA Insurance Limited	-	-	-	1,391
Pan Africa Life Assurance Limited	226,498	30,543	-	-
SIM (K) Limited	1,167	-	25,959	-
Mae properties Limited	62,627	62,627	-	-
Runda Water Limited	-	-	1,913	1,913
Former directors and staff	24	2,374	24	2,374
	290,316	**95,544**	**33,560**	**5,678**
e) Key management compensation				
Salaries and other short-term employment benefits			59,865	41,112
Post-employment benefits			9,467	6,492
			69,332	**47,604**
f) Directors' remuneration				
Other emoluments (included in (e) above)			30,900	27,832
Fees			6,646	6,587

g) Directors' pension

The Company does not cater for any director's pension.

34. Capital Management

The effective management of Pan Africa Insurance Holdings Limited capital base is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is the Group Embedded Value, as reported on page 29. The Group Embedded Value is the aggregate of the following components:

i. The embedded value of covered business, which comprises the long-term required capital supporting these operations and their net value of in-force business (refer embedded value report on page 39-40;
ii. The fair value of other Group operations, which includes the land and property development, capital markets and short-term insurance.

The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on Group Embedded Value. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

a) Capital Allocation Methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of long-term required capital to the covered business:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements of the Insurance Act and Kenya Companies Act. A deterministic modelling process is used to determine the long-term required capital levels.

The fair value of other Group operations includes the working capital allocated to the respective operations. The Group's approach to ensure appropriate working capital levels is twofold:

i. The Group dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
ii. Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

b) Capital Management

Long-term required capital – *covered business*

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

i. Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, eg non-participating annuities, but also for participating business where asset/liability matching and investment strategy have a direct impact on capital requirements.
ii. Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business per business.
iii. The asset mix of the long-term required capital also impacts on the overall capital requirement. An increased exposure to interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. The expected investment return on these instruments are however lower than equity with a potential negative impact on the return on Group Embedded Value. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used to determine the optimal asset mix that will ensure the highest return on capital.
iv. Certain of the Group's investments in other Group operations qualify, to a varying degree, to be utilised as regulatory capital for the covered business. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life companies' regulatory capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements (for example the Solvency II initiative in the European Union).

34. Capital Management *continued*

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on Group Embedded Value.

Audit Committee

The Audit Committee is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

c) Discretionary Capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

35. Risk Management

35.1 Group Risk Management

a) Governance Structure

In terms of the Group's overall governance structure, the meetings of the Pan Africa Insurance Holdings Limited, Pan Africa Life Assurance Limited and PA Securities Limited are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance, CMA and NSE requirements. The Pan Africa Life Assurance Board is responsible for statutory matters across all Pan Africa Insurance Holdings Limited businesses as well as monitoring operational efficiency and risk issues throughout the Group. Refer to the Corporate Governance Report on page 27 for further information on the responsibilities of the Pan Africa Insurance Holdings Limited.

The Group operates within a decentralised business model. In terms of this philosophy, the Pan Africa Insurance Holdings Limited Board sets the Group risk management policies and frameworks while the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Pan Africa Insurance Holdings Limited Board.

Pan Africa Insurance Holdings Limited Board

Responsible for the Group's risk management strategy and policies, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

←

Pan Africa Insurance Holdings Limited Audit, Actuarial and Risk Committee

Assists the Pan Africa Insurance Holdings Limited Board in fulfilling its responsibilities

←

Pan Africa Insurance Holdings Limited Group Executive Committee

Responsible as the Pan Africa Insurance Holdings Limited Board's executive overseer, to ensure that the businesses achieve optimal risk-adjusted returns

←

Sanlam Group Risk Management

Develops Group risk management policies and guidelines for approval by the Pan Africa Insurance Holdings Limited Board, co-ordinates reporting responsibilities and improves risk management across the Group

Business Level Risk Management

Identifies and manages risks faced by the business

→

Business Level Management Committees

Additional committees that may be established by a business to assist their Executive Committees in certain areas of risk management

→

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table.

OTHER RISK MONITORING MECHANISMS

Capital Management
Reviews and oversees the management of the Group's capital base

Asset and Liability Match
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Compliance
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

Group Risk Forum
Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Pan Africa Insurance Holdings Limited Board

Non-listed Assets
The Audit Committee reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Pan Africa Insurance Holdings Limited Board

General Manager - Finance
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

Group Legal and Secretarial
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Sanlam Forensics
Investigates and reports on fraud and illegal behaviour in businesses

Investment Committee
Determines and monitors appropriate investment strategies for policyholder solutions

IT Risk Management
Manages and reports Group-wide IT risks

Risk Officer
Assists business management in their implementation of the Group risk management process, and to monitor the business' entire risk profile

Internal Audit
Assists the Pan Africa Insurance Holdings Limited Board and management by monitoring the adequacy and effectiveness of risk management in businesses

b) Group Risk Policies and Guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are:

i. The Group Strategic Risk Management (SRM);
ii. Group Risk Escalation Policy (REP);
iii. Group Business Continuity Policy (BCP);
iv. Group Information and Information Technology (I & IT) Risk Management Policy (ITRMP); and
v. Group Investment Policy.

SRM, REP, BCP and ITRMP policies were developed by Sanlam Group Risk Management and have been implemented by all Group businesses. The maturity of the implementation within the Group does however vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Pan Africa Insurance Holdings Limited Board, risk management reports are tabled that must also indicate the extent of compliance with the Sanlam Risk Management Policy.

The aim of the Group Escalation Policy is to ensure that key risks and risk events in any business in the Group are reported to the appropriate governance level. The Group Business Continuity Policy ensures that effective vertical and horizontal recovery abilities, consistent with business priorities, exist across the Group, to deal with disasters and related contingencies. The Pan Africa Insurance Holdings Limited Group Strategic Risk Management is briefly summarised below:

Pan Africa Insurance Holdings Limited Group Strategic Risk Management

Definition

SRM is a high-level over-arching approach to ensure that:

i. All risks which could jeopardise or enhance achievement of the Group's strategic goals are identified;
ii. Appropriate structures, policies, procedures and practices are in place to manage these risks;
iii. Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices;
iv. The organisation's risks are indeed being managed in accordance with the foregoing; and
v. The impact of strategic decisions on the risk-adjusted return on Group Embedded Value is considered by way of appropriate modeling techniques prior to such decisions being implemented.

Objective

The primary objective of SRM is to optimise the Group's risk-adjusted return on Group Embedded Value.

Philosophy

SRM is achieved by:

i. Applying a decentralised philosophy, in that the individual businesses are responsible for the identification of risks in their business and to apply appropriate risk management. Only significant risks are escalated to the Pan Africa Insurance Holdings Limited Group level, in accordance with the Group Risk Escalation Policy (mentioned above). This policy guides the businesses to assess the impact of the risk (on a scale of insignificant to catastrophic), type of risk (on a scale of unlikely to already occurred/highly probable), and accordingly to determine the role players to whom the risk should be reported (from the Risk Officer of the business to the chairman of the Audit and Risk Committee).
ii. Implementing maximum loss limits, by using measures such as "value at risk", long-term solvency requirements, capital adequacy requirements and sensitivities on return on embedded value/value of new business; and
iii. Clearly defining and documenting the business's risk appetite, being the degree of uncertainty that a business is willing to accept in pursuit of its goals, and describing it both qualitatively and quantitatively.

Risk is inherent in doing business, and includes all of the uncertain consequences of business activities that could prevent Pan Africa Insurance Holdings Limited from achieving its strategic goals. Pan Africa Insurance Holdings Limited SRM process is aimed at managing three elements of risk:

i. Opportunity: managing risk on the upside as an "offensive" function; focusing on actions taken by management to increase the probability of success and decrease the probability of failure.
ii. Hazard: managing risk on the downside as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses; and
iii. Uncertainty: managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range.

Process

Each business has a documented process that links into the business's normal management process and includes:

i. Strategic organisational and risk management context:
   - Strategic context (defining the business's strengths, weaknesses, opportunities and threats relative to its environment),
   - Organisational context (understanding the business's goals, strategies, capabilities and values),
   - Risk management context (setting of scope and boundaries),
ii. Developing risk evaluation criteria, defining a logical framework for risk identification, establishing a risk identification process, analysing the risks identified, evaluating the risks against established risk criteria, deciding on the appropriate action and communication, with the aim of continuous management and improvement.

...Spirited, in covering
your current and future
financial and insurance needs.

C) Risk Types

The Group is exposed to the following main risks:

	Risk type	Description	Potential significant impact
General Risks	**Operational**	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws and regulations, as well as investment management mandates.	
		Fraud risk: the risk of financial crime and unlawful conduct occurring within the Group.	
	Taxation	Taxation risk is the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Embedded Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	All Group businesses
	Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	All Group businesses
	Legislation	Legislation risk is the risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss.	All Group businesses
	Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses
Financial And Business-Specific Risks	**Market**	Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes:	Life insurance Capital markets Short-term insurance
		Equity risk: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.	
		Interest rate risk: the risk that the value of an unmatched financial instrument will fluctuate as a result of changes in interest rates and the risk that mismatch losses will be incurred in respect of a matched asset/liability position following changes in interest rates.	
		Currency risk: the risk that the Kenya Shillings value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.	
		Property risk: the risk that the value of investment properties will fluctuate as a result as a of changes in the enviroment.	Life insurance
	Credit	Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk includes:	Life insurance Capital markets Short-term insurance
		Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	
	Liquidity	Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance Capital markets
	Insurance	Insurance risk includes:	Life insurance Short-term insurance
		Underwriting risk: the risk that the actual experience relating to mortality, disability and medical risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience.	
		Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.	
		Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.	
	Capital adequacy	Capital adequacy risk is the risk that there are insufficient assets to provide for variations in actual future experience, worse than that which has been assumed in the valuation bases.	Life insurance

d) Risk Management

i. Operational Risk

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is addressed in the Corporate Governance Report.

The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. and has unrestricted access to the chairman of the Committee and the Pan Africa Insurance Holdings Board. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly. External audit The Group's external auditors are Ernst & Young. The report of the independent auditors for the year under review is contained on page 36 of this annual report. The external auditors provide an independent assessment of systems of internal financial control and express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard.

External consultants

Sanlam Risk Management Unit performs an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and Technology Risk

The "Group Information and Technology (I&IT) Risk Management Policy" is authorised and ratified by the Group Executive Committee. It stipulates the role of the Information and IT Risk manager that each business is responsible for appointing. Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.

Reliance on and the continuous availability of IT systems and processes are inherent to the nature of the Group's operations. An important objective of the Group Information and Technology Risk Management Policy is accordingly to ensure that the Group's IT resources and platforms are maintained and developed in line with changes in the Group's businesses environment and requirements, and that proper back-up processes and disaster recovery measures are in place.

Going Concern / Business Continuity Risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Pan Africa Group Entities will continue as a going concern. Reflecting on the year under review, the directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business in the foreseeable future and that Pan Africa Group Entities will remain a going concern in the year ahead. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal Risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Pan Africa Insurance Holdings Limited seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance Risk

Laws and regulations:

Pan Africa Insurance Holdings Limited considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with Investment mandates:

The Investment Committee reviews compliance to investment mandates on a quarterly basis. When a possible breach is detected, the fund manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken, depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Fund Managers on a monthly basis.

Fraud Risk

Pan Africa Insurance Holdings Limited recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group' code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Pan Africa Insurance Holdings Limited group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group.

The head of each business unit is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Board of Pan Africa Insurance Holdings Limited. Quarterly reports are submitted by Group Forensic Services to the Pan Africa Insurance Holdings Limited Audit committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

ii. Taxation Risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

iii. Reputational Risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Audit committee and board of directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

iv. Legislation Risk

Legislation risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a pro-active approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

v. Strategic Risk

The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual strategic session of the Pan Africa Insurance Holdings Limited Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Pan Africa Insurance Holdings Limited Executive Committee, who ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Pan Africa Insurance Holdings Limited Executive Committee, which includes the chief executive of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

35.2 Risk Management: Life Business

The Group's life insurance business is exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance business to financial risk as this risk is assumed by the policyholder. The life insurance business' capital is invested in financial instruments and properties, which also exposes the businesses to financial risk, in the form of market, property, credit and liquidity risk. The management of these risks is described below.

a) Risk Management

i Market Risk – Policyholder Solutions

Equity Risk

Linked and market-related business

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance business to market risk.

The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Actuarial committee, and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. Pan Africa Insurance Holdings Limited does not include a specific provision for investment guarantees as the guarantees are already provided for in the pricing of the products i.e. the premium payable already includes a provision for guarantees.

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from shareholders in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2007, all stable and reversionary bonus business portfolios had a funding level in excess of 79%.

Equity risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is however exposed to some equity risk as an under performance in equity markets may result in an under funded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. Actuarial committee oversees the investment policy for the various smoothed-bonus portfolios. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, inter alia, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of

assets, such as unlisted equities, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Pan Africa Insurance Holdings Limited Board.

Interest Rate Risk

Linked and market-related business

The life business is exposed to interest rate risk to the extent that guaranteed minimum benefits at death or maturity are provided. Refer to equity risk on page 75 for the management of market risk in respect of these policies.

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

The life business is exposed to interest rate risk to the extent that changes in interest rates result in negative stabilisation reserves that cannot be eliminated through the smoothed-bonus management action philosophy. In these circumstances the life insurance businesses will have to provide support to the policyholders' portfolios.

Guarantee plans

Our Flexisaver and FlexiEducator policies provide for guaranteed maturity amounts. The life insurance business is therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value.

Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Currency Risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Property Risk

The majority of the investment properties are held in respect of market-related and non-participating policyholder business as well as smoothed-bonus business. Refer to Equity Risk above for a description on how the risks associated with these types of business are managed.

ii Market Risk – Capital

Comprehensive measures and limits are in place to control the exposure of the life insurance businesses' capital to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

Equity & Interest Rate Risk

The capital is invested in equities and interest-bearing instruments that are valued at fair value and are therefore susceptible to market fluctuations. Investments in listed subsidiaries are reflected at net asset value based on the market value of the underlying investments.

Property Risk

The capital portfolio has limited exposure to investment properties and accordingly the related property risk. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

iii Market Risk – Sensitivities

Sensitivities that illustrate the effect of changes in investment return assumptions on the value of in-force (VIF) business are disclosed in the embedded value report on page 42. The change in VIF relative to the base value is an indication of how the present value of future after-tax profits (including the allowance for the cost of capital at risk) is impacted based on these assumptions.

If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be a decrease of KShs 25.3 million (2006: decrease of KShs 22.6 million).

b) Credit Risk – Policyholder Solutions & Capital

Pan Africa Insurance Holdings Limited recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss due to a major corporate failure and the possible systemic risk such a failure could lead to.

The Pan Africa Insurance Holdings Limited Investment Risk Policy and Strategy has been established for this purpose. Credit risk occurs due to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by Sanlam Investments (SIM) in terms of the investment guidelines granted to them by the Investment Committee. The Board of SIM has delegated responsibility for credit risk management to the Central Credit Committee.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group, and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Pan Africa Insurance Holdings Limited interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counter-parties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas.
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract.
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

Reinsurance Risk

Pan Africa Insurance Holdings Limited makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the balance sheet, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility (nor revocable only in adverse circumstances).

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Financial assets that are past due, but not impaired

The following table represents financial assets held by the life insurance businesses, where the contractual terms of the instrument have been exceeded, but the asset has not been impaired:

c) Policyholders Solutions

Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

Guarantee plans

Other policyholder business

Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

The following table summarises the overall maturity profile of the policyholder business:

31st December 2007

KShs '000	<I year	1-5 years	>5 years	Open ended	Total
Insurance contracts	161,601	1,100,405	1,659,708	315,210	3,236,924
Investment contracts	-	-	-	293,372	293,372
Total policy liabilities	**161,601**	**1,100,405**	**1,659,708**	**608,582**	**3,530,296**
Properties	-	-	-	224,000	224,000
Equities and similar securities	-	-	-	837,288	837,288
Public sector stocks and loans	270,837	685,627	743,041	-	1,699,505
Cash, deposits and similar securities	931,961	-	-	-	931,961
Commercial paper and corpoarate bonds	41,069	-	-	-	41,069
Morgages and policy loans	9,632	45,976	44,870	304,011	404,489
Long term reinsurance assets	57,737	-	-	-	57,737
Net working capital	(665,353)	-	-	-	(665,353)
Total policy holders assets	**645,883**	**731,603**	**787,911**	**1,365,299**	**3,530,696**

31st December 2006

KShs '000	<I year	1-5 years	>5 years	Open ended	Total
Insurance contracts	177,124	801,650	1,048,921	374,293	2,401,988
Investment contracts	-	-	-	230,014	230,014
Total policy liabilities	**177,124**	**801,650**	**1,048,921**	**604,307**	**2,632,002**
Properties	-	-	-	210,500	210,500
Equities and similar securities	-	-	-	869,940	869,940
Public sector stocks and loans	270,837	685,627	389,815	-	1,346,279
Commercial paper and corpoarate bonds	192,381	-	-	-	192,381
Cash, deposits and similar securities	314,192	-	-	-	314,192
Morgages and policy loans	5,835	18,559	46,440	198,641	269,475
Long term reinsurance assets	42,408	-	-	-	42,408
Net working capital	(420,792)	-	-	-	(420,792)
Total policy holder assets	**404,861**	**704,186**	**436,255**	**1,279,081**	**2,632,002**

d) Insurance Risk

Insurance risk arises from the writing of other non-participating life business, as these products are valued prospectively and therefore expose the long-term required capital to risk if actual experience differs from that which is assumed. The Group is however also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Underwriting Risk

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly full actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

Policies and practices: underwriting strategy

1	All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
2	Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/ Aids;
3	Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
4	Appropriate income replacement levels apply to disability insurance;
5	The experience of reinsurers is used where necessary for the rating of substandard risks;
6	The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary.
7	Risk profits are determined on a regular basis; and
8	Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example rerating of premiums, is taken where necessary.

Persistency Risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on the statutory require Net Premium Method which ensures that adequate provision is made for lapses, surrenders and paid-up policies.

Expense Risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual expenses versus budgeted is conducted and reported on.

Claims Risk

The risk that Pan Africa Insurance Holdings Limited may pay fraudulent claims (claims risk) is mitigated by employing highly trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The Sanlam forensic investigation team also advises on improvements to internal control systems.

The table below summarises the effect on the valuation of other non-participating life business, for possible changes in mortality and morbidity, lapse, expense and investment return assumptions.

		Assumption changes				
KShs '000	**Base value**	**Investment returns -1%**	**Expenses +10%**	**Expenses inflation +10%**	**Lapse and surrender rates +10%**	**Mortality & morbidity +10%-10%***
2007						
Non-participating life business						
Individual business	597,829	597,829	597,829	597,829	597,829	597,829
Employee benefits business	-	-	-	-	-	-
Non participating life business policy liability	597,829	597,829	597,829	597,829	597,829	597,829
2006						
Non-participating life business						
Individual business	386,027	386,027	386,027	386,027	386,027	386,027
Employee benefits business	-	-	-	-	-	-
Non participating life business policy liability	386,027	386,027	386,027	386,027	386,027	386,027

The above sensitivities are after taking into account the rerating of premiums but before the impact of reinsurance. The impact of reinsurance is not material for the disclosed sensitivities.

Concentration Risk

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients.

The tables below provide an analysis of the Group's exposure to the value of benefits insured in respect of non-participating life business as well as the annuity payable per policy in respect of non-participating annuities:

Value of benefits insured: non-participating life business

	Number of lives		Value insured		Before reinsurance		After reinsurance	
	2007	2006	2007	2006	2007	2006	2007	2006
Kshs '000					%	%	%	%
0-500	305 368	247 626	4 698 537	1 742 977	45%	18%	66%	23%
500-1000	7360	26 522	4 296 000	5 320 802	5%	13%	3%	9%
1000-5000	41 779	31211	45 086 046	16 796 898	47%	66%	29%	66%
5000-8000	156	196	561 960	372 219	1%	1%	1%	1%
>8000	247	131	1,487,400	767,620	2%	2%	1%	1%
	354 910	305,686	56,129,943	25,000 515	100%	100%	100%	100%

e) Capital Adequacy Risk

Refer to the capital management section on page 67 for details on the management of the Group's capital base.

All subsidiaries of Pan Africa Insurance Holdings Limited were adequately capitalised with CAR covered by the excess of assets over liabilities.

36. Basic and diluted earnings per Share

a) The company calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders and profit or loss from continuing operations attributable to those equity holders.

b) Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

c) For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be as above plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares. As at 31 December 2007, there were no dilutive potential ordinary shares.

Executive Committee

James Muiruri	Acting Chief Executive
Stephen Kamanda	General Manager - Finance
Tom Gitogo	General Manager - Individual Life
Joseph Wamwea	Divisional Manager - Information Systems Technology
Catherine Olaka	Human Resources Manager
Emma Wachira	Company Secretary/Chief Legal Officer

Divisional Manager

Luke Magambo	Finance

Deputy Divisional Managers

Martin Nzomo	Corporate Business
Linda Were	Operations
Francis Ogwel	Marketing - Western Region
Jane Ntutu	Marketing - Nairobi Region
Pius Kitela	Marketing - Eastern Region
Lucy Munjuga	Finance

Unit Leaders

Ibrahim Odhiambo	Corporate Business
Margaret Nyambura	Customer Service Back Office
Shifrine Simwa	Customer Service Front Office
David Muchungu	Finance
Nelson Kabau	Actuarial
Mercy Kabangi	Public Relations & Administration
Gwen Njiru	Regional Administration - Western Region
Samson Mwangi	Regional Administration - Eastern Region
Rita Waweru	Information Systems Technology
Samuel Kuyoh	Premium Administration
William Kariithi	Premium Administration
Samuel Mbaabu	Special Projects
Priscilla Thuo	Quality Compliance

Sales Managers

Jairus Amunga	Eldoret
Purity Makena	Embu
Robert Kipkemboi	Kisii
Tom Swangoh	Kisumu
Peter Mbugua	Machakos
Michael Gathua	Meru
Nelly Andhoga	Mombasa
Terry Amina	Nakuru
Margaret Kiragu	Nyeri
John Muchiri	Thika
John Mbindyo	Nairobi Mega
Jennifer Tsimbiri	City Centre
Angeline Muchiri	Westlands

Head Office

Pan Africa Life Assurance Limited
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	0722 206900/1
	0733 418807
SMS helpline number:	0720 632000

Branch	Details
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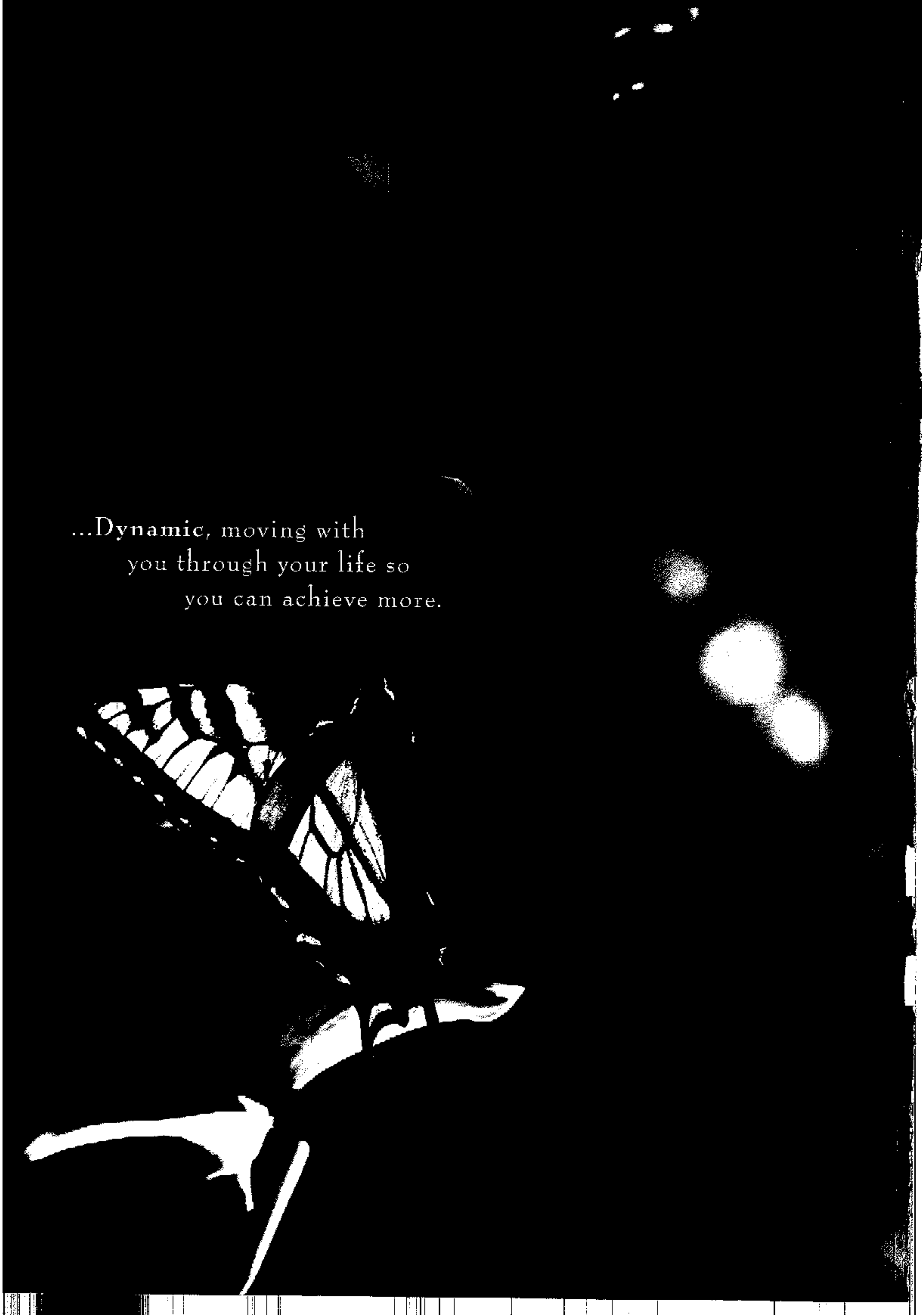
Embu	Barclays Bank Building, Kenyatta Highway P.O. Box 1804, 60100 Embu Tel: 068-30789 embu@pan-africa.com
Kisii	Shabana Building P.O. Box 288, 40200 Kisii Tel:058-30946 kisii@pan-africa.com
Kisumu	Al-Imran Plaza, Oginga Odinga Road P.O. Box 1884, 40100 Kisumu Tel: 057-2020780 kisumu@pan-africa.com
Machakos	Red Cross Building P.O. Box 1852, 90100 Tel: 044-21484 machakos@pan-africa.com
Meru	Meru Mwalimu Plaza, Moi Avenue P.O. Box 1329, 60200 Tel: 064-30658 meru@pan-africa.com
Mombasa	Ambalal House, Nkurumah Road P.O. Box 90383, 80100 Mombasa Tel: 041-2223316 mombasa@pan-africa.com
Nairobi City Centre	Pan Africa House, Kenyatta Avenue P.O. Box 44041,00100 Tel: 020-247600 palalcitycentre@pan-africa.com
Nairobi Mega	Uniafric House, Koinange Street P.O. Box 44041, 00100 Nairobi Tel: 020 210680/676 mega@pan-africa.com
Nakuru	Giddo Plaza, Nairobi/Eldoret Highway P.O. Box 15163, 20100 Nakuru Tel: 051-2215858 nakuru@pan-africa.com
Nyeri	NDCU House P.O. Box 618, 10100 Tel: 061-2030204 nyeri@pan-africa.com
Thika	Thika Arcade, Kenyatta Highway P.O. Box 1144, 01000 Tel: 067-221123 thika@pan-africa.com
Westlands	Westlands branch, School lane White field place 2nd floor P.O. Box 44041, 01000 Nairobi Tel: 020-2349677/2349678 westlands@pan-africa.com


...**Dynamic**, moving with
you through your life so
you can achieve more.

PROXYFORM

To: The Company Secretary

Pan Africa Insurance Holdings Limited

2nd Floor, Pan Africa House, Kenyatta Avenue

P.O. Box 10493, 00100 NAIROBI

I/We ____

of ____

being a member/members of PAN AFRICA INSURANCE HOLDINGS LIMITED

hereby appoint ____

of ____

or failing him/her ____

of ____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on 21 May 2008 at 11.00 am and at any adjournment thereof.

Signed/Sealed this ____________________ day of ____________ 2008

____

____

Notes:

1 If you wish you may appoint the Chairman of the meeting as your proxy

2 In the case of a member being a corporation, the proxy must be under the Common Seal or under the hand of an officer or attorney duly authorised.

3 Completed proxy forms must be lodged with or posted to the company's registered office for the attention of the Company Secretary, so as to be received, no later than forty-eight hours before the time appointed for the holding of the Annual General meeting or any adjournment thereof.