

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have disposed of all your shares in the British-American Investments Company (Kenya) Limited (the “Company” or “BRITAM”) please forward this document and the attached form of proxy to the stockbroker, banker or other agent through whom you disposed of your shares.

If you are currently a shareholder but are unable to attend the extraordinary general meeting (the “EGM”) which has been convened for **10.00 a.m. on Wednesday, 19th February 2014**, please complete and return the attached form of proxy in accordance with the instructions printed thereon and send it to the Company Secretary, British-American Investments Company (Kenya) Limited, Britam Center, 8th Floor, Junction of Mara /Ragati Roads, Upper Hill, P.O. Box 30375-00100, Nairobi, Kenya.

This Circular is being issued by the British-American Investments Company (Kenya) Limited and has been prepared in compliance with the requirements of The Capital Markets Act (Cap. 485A), The Capital Markets (Securities)(Public Offers, Listing and Disclosures) Regulations, 2002 and the Nairobi Stock Exchange Listing Manual, 2002. The Capital Markets Authority (“CMA”) has approved the issue of this Circular, and the transaction described in it, including the issue of up to 51,907,566 additional new ordinary shares of KES 10 Cts each of the Company (“New Shares”) on the terms described herein. As a matter of policy, neither the Capital Markets Authority nor the Nairobi Stock Exchange Limited (“NSE”) assume any responsibility for the correctness of any statements or opinions made or reports contained in this Circular.



British-American Investments Company (Kenya) Limited

(Incorporated in Kenya on 26 July 1995 under the Companies Act (CAP.486))

Registration Number C.5/2012

CIRCULAR TO SHAREHOLDERS

Acquisition of 99% of the equity of Real Insurance Kenya Limited and proposed allotment of up to 51,907,566 new ordinary shares in exchange for forty percent of the Purchase Consideration

A Notice of an Extraordinary General Meeting of the Company which is to be held on Wednesday 19th February, 2014 in the **Tsavo Hall at the Kenyatta International Conference Centre (“KICC”)**, Nairobi, Kenya is set out at the end of this document. A form of proxy for use by shareholders is also enclosed.

Dated 24th January, 2014

Part 1 – TIMETABLE

EVENT	KEY DATES
Share Purchase (Acquisition) Agreement	9 th December, 2013
Latest time to return proxy forms for the EGM	17 th February, 2014
EGM	19 th February, 2014
Completion of the Acquisition	31 st March, 2014
Press Announcement following completion of the Acquisition	1 st April, 2014
Date for admission of the New Shares to Listing	10 th April, 2014

The above dates and timelines are subject to amendment as may be communicated from time to time.

TRANSACTION ADVISERS

Lead Transaction Adviser to the Company  Pacifis Advisory Pacifis Advisory Limited International House, 1st Floor Mama Ngina Street P O Box 6392- 00100 Nairobi, Kenya	Lead Legal Adviser to the Company  Daly & Figgis Advocates 6 th Floor, ABC Towers, ABC Place, Waiyaki Way, PO Box 40034 – 00100 Nairobi, Kenya
Sponsoring Stockbroker  Dyer & Blair Investment Bank Ltd 10th Floor, Pension Towers Loita Street P.O. Box 45396 - 00100 Nairobi, Kenya	Support Financial Adviser  PricewaterhouseCoopers Delta Towers Westlands P.O. Box 43963-00100 Nairobi, Kenya
Tanzania Legal Adviser  FB Attorneys P.O. Box 43963-00100 Dar es Salaam, Tanzania	Mozambique Legal Adviser Fralaw (Ferreira Rocha Advogados) Centro de Escritorios Rovuma Pestana Hotel Rua da Se, No 114, 1, Sala 111 Maputo, Mozambique
Auditors PricewaterhouseCoopers Delta Towers Westlands P.O. Box 43963-00100 Nairobi, Kenya	Malawi Legal Adviser Savjani & Co Hannover House, P O Box 2790, Blantyre, Malawi

DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

“Acquisition”	The proposed purchase of Real Insurance Company Limited (“REAL”) by the Company as described in this document
“Acquisition Agreement”	The agreement for the proposed sale and purchase of 99% of the shares of REAL made between the Vendor and the Company dated 9 th December, 2013
“Articles of Association”	The articles of association of the Company
“Directors” or “Board”	The persons named on page 5 as Directors of the Company
“Britam” or “Company”	British-American Investments Company (Kenya) Limited a public limited liability company (Incorporated in Kenya on 26 July 1995 under the Companies Act (CAP.486) Registration Number C.5/2012), listed on the NSE under the Main Market Segment.
“Britam Group”	British-American Investment Company (Kenya) Limited and its subsidiaries.
“CBK”	The Central Bank of Kenya
“CMA”	The Capital Markets Authority, established under The Capital Markets Act (Cap 485A) of the Laws of Kenya
“COMESA”	The Common Market for Eastern and Southern Africa
“Completion”	The date on which BRITAM acquires 99% of the issued share capital of REAL through payment of the purchase consideration of Kshs 1,375,550,500/= made up of Cash Consideration (Kshs 825,330,300/=) and Share Consideration (Kshs 550,220,200/=).
“EGM”	The extraordinary general meeting of the Company to be held on Wednesday 19th February 2014
“Final Strike Price”	the volume weighted average price of BRITAM Shares traded on the NSE during the period of 75 consecutive trading days immediately preceding the date of Completion as certified by Britam’s transaction advisor and the Vendor’s transaction adviser
“Insurance Act”	The Insurance Act (Cap 488) of the Laws of Kenya
“IRA”	The applicable Insurance Regulatory Authority in Kenya or Tanzania or Mozambique
“K.Shs”	Kenya Shillings, the lawfully currency of the Republic of Kenya.
“Listing”	Admission of the New Shares to the Official List of the NSE
“New Shares”	The additional new ordinary shares of KES 10 Cts each of the Company to be issued fully paid to the Vendor or its Assignees in satisfaction of the Share Consideration.
“NSE”	The Nairobi Securities Exchange
“Ordinary shares”	The 1,891,451,850 existing issued ordinary shares of KES 10 Cts each in the capital of the Company
“POS Regulations”	The Capital Markets (Securities)(Public Offers, Listing and

	Disclosures) Regulations, 2002
“REAL”	Real Insurance Company Limited, a limited liability company incorporated in the Republic of Kenya with Company Registration Number C.13352
“Strike Price”	the volume weighted average price of BRITAM Shares traded on the NSE during the period of 75 consecutive trading days immediately preceding the date of the Agreement i.e. K.Shs 11/13 per New Share
“Vendors”	Royal Ngao Holdings Limited, a limited liability company incorporated in Kenya with Company Registration Number CPU/2010/33545

PART 2 - LETTER FROM THE CHAIRMAN OF BRITAM



British-American Investment Company (Kenya) Limited
Britam Centre, 8th Floor, Junction of Mara/Ragati Road
P.O. Box 30375-00100
Nairobi, Kenya
Telephone: +254 20 283 3000
Fax: +254 20 271 7626
Email: bwairegi@britam.co.ke

Directors:

Amb. Dr. Francis K. Muthaura - Chairman
Mr Benson I. Wairegi – Group Managing Director
Mr Peter K. Munga
Dr. James N. Mwangi
Mr. Jimnah M. Mbaru
Mr. Tarun Ghulati
Mr. Nduva Muli
Mr. Bocar E. Dia
Mrs. Agnes N. Odhiambo
Mr. Moussa I. Rawat
Mr. Dawood A. Rawat

Company Secretary:

Mrs Nancy Kiruki

To all shareholders of British-American Investments Company (Kenya) Limited

24th January 2014

Dear Shareholder,

PROPOSED ACQUISITION OF 99% SHAREHOLDING IN REAL INSURANCE COMPANY LIMITED

On the 9th December, 2013 the Company entered into a definitive Share Purchase Agreement (“Agreement” or “SPA”) with the Vendors, to acquire 99% shareholding in Real Insurance Company Limited (“REAL”) a licensed insurer carrying out non-life insurance business in Kenya and through its subsidiaries in Tanzania, Malawi and Mozambique. The Completion of this transaction is conditional to customary closing conditions that include procurement of shareholders approvals as well as regulatory approvals from various regulators, which the Board expects will be, concluded in the first half of 2014.

The purchase consideration is an amount of Kshs 1,375,550,500/=, representing a price of Kshs 92/63 per share for each of the 14,850,000 shares being acquired, which purchase consideration is to be satisfied sixty percent (60%) i.e. Kshs 825,330,300/= by cash (“**Cash Consideration**”) and forty percent (40%) i.e. Kshs 550,220,200 by issue of New Shares by the Company (“**Share Consideration**”) at a target allotment price of K.Shs.11/13 per New Share.

The purpose of this Circular is to provide you with information on the reasons for and the terms of the Acquisition. This document is being sent to you along with the Agenda for the EGM scheduled for 19th February 2014].

BACKGROUND AND VALUE PROPOSITION FOR THE ACQUISITION

As you will remember, Britam concluded an initial public offer (“Offer”) in 2011. The proceeds from this Offer were intended among others, to provide support for growth in Kenya and regional expansion of the Company.

Furthermore, Britam has been desirous to grow its general business to a scale that will permit the Company to become a market leader in non-life insurance offerings. The investment in REAL is part of this growth strategy in Kenya and further afield. More importantly the successful Completion of the transaction contemplated herein will permit the Company to enter into some of the highest growth markets in Africa namely; Mozambique and Tanzania.

In determining the merits for the proposed Acquisition your Board took into account several factors, the more important ones being:

- REAL is an attractive operation with a solid track record in providing non-life insurance offerings. The entity has been operational for many years and its customers comprise of some of the leading corporates in the Kenyan market;
- REAL has been profitable over the years and deploys a business model that is compatible with Britam's non-life insurance model;
- The satisfactory completion of this transaction will, among others, enable Britam to implement its strategy of expanding its general insurance business and diversifying its presence into key geographical areas that include some of the most promising growth frontier markets in Africa. Specifically Mozambique is one of the fastest growing markets in Africa underpinned on its vast natural resources which includes some of the largest gas and coal finds in Africa. Tanzania on the other hand is a fertile country endowed with abundant waters and minerals including strategic natural resources such as gas and coal. Malawi is typically an agrarian economy and one of the greatest food baskets in Africa;
- REAL is a global network partner of RSA (formerly known as Royal & Sun Alliance Insurance Group) which Britam can leverage upon for business generation and knowledge transfer in terms of international best practices;
- REAL has a workforce of 239 people across its markets of operation. Driven by innovation, it has a broad and responsive service offering that has recently enabled it to be voted as the top insurer in Tanzania; and
- This deal is partly being satisfied through issuance of Britam shares which will support preservation of value because both the Seller and Buyer will work towards a common goal of enhancing shareholder value.

Part 3 of this Circular, sets out further information on REAL, its business and current management.

BASIS OF DETERMINATION OF CONSIDERATION AND NUMBER OF NEW SHARES TO BE ALLOTTED

Basis of determination of the Number of New Shares to be Allotted

Based on the Agreement, the Board proposes to allot not more than 51,907,566 New Shares to the Vendor and not less than 46,963,988 New Shares in satisfaction of the Share Consideration. These numbers represent 105% and 95% of the New Shares determined at the Strike Price of K.Shs.11/13 per share computed based on the volume weighted average trading price for the immediate preceding 75 trading days prior to the signing of the SPA. You should note that the ultimate number of New Shares will be based on the Share Consideration dividend by the Final Strike Price. The Final Strike price will be based on the volume weighted average trading prices of Britam's stock for the immediate preceding 75 trading days prior to the Completion Date.

Basis of determining the consideration payable

The Board appointed a Transaction Adviser (Pacifis Advisory Limited) to provide an indicative market value of REAL's equity representing the price at which the Company would change hands between a willing buyer and a willing seller. The valuation date was 31st December 2012 and the Transaction Advisor conducted the valuation utilising a combination of three approaches namely: the Discounted Cashflow ("DCF") Method, Price Earnings ("PE") Multiples Method and the Net Assets ("NAV") Multiples Method.

Extracts of the methodology and overall conclusions reached are set out in **Part 4** of this Circular.

In arriving at the Purchase Consideration payable to the Vendors, the Board took into account the following matters:

- The purchase price agreed of Kshs 1,375,550,500/= is within the range of the valuation that the Transaction Advisor estimated would change hands between a willing Buyer and Seller in an arms-length transaction as at 31st December 2012; and
- That the agreed price represents a multiple of 10.54x of REAL's average after tax profits for the two immediate preceding years (FY2012 and FY2011) after deducting non-controlling interest or a net asset multiple of 2.48x based on the financial statements for the year ended 31 December 2012 and an NAV multiple of about 2.25x based on the projected balance sheet as at Completion. These multiples compare closely with Britam's price earnings and net asset multiples of 10.72x and 2.27x respectively that were ruling on the 9th December 2013, the date when the Share Purchase Agreement was signed.
- The value that would be unlocked from entry into high growth frontier markets including the synergies that would ensue as a result of increasing the scale of Britam's general business given the recently enacted regulations from the Insurance Regulatory Authority that require all composite insurance companies to demerge their life and non-life businesses, might be significant.

Overall, the Board is optimistic this acquisition is a value proposition to the optimisation of the Shareholder value.

THE PRINCIPAL TERMS OF THE ACQUISITION

The terms of the acquisition are spelt out in the Sale and Purchase Agreement dated 9th December 2013 between the Parties (a copy of which is available for inspection by shareholders as provided under Section 6 of **Part 7** of this Circular) (the "Acquisition Agreement"). The Acquisition Agreement provides for the commercial terms, compliance and completion formalities which include:

- Britam to acquire 99% of the issued shares in REAL all of which are presently held by the Vendor;
- Purchase Consideration and the amounts to be satisfied through Cash Consideration and Share Consideration and potential adjustment factors;
- Shareholders' approval;
- Several regulatory approvals including the CMA, NSE, IRA, COMESA Competition Commission and Competition Authority in Kenya; IRA and Commissioners of Monopolies in Tanzania and Mozambique and the Reserve Bank, Malawi Stock Exchange, Capital Markets Authority and COMESA Competition Commission in Malawi;
- Vendors warranties and indemnities in favour of Britam in connection with the business affairs of REAL;
- Provision for a Share Charge Agreement to permit management of indemnities;
- Anti-compete provisions and prohibitions; and
- Post Acquisition Integration/Combination of Britam's and REAL's generation business.

EFFECT OF THE ACQUISITION ON EXISTING SHAREHOLDERS

As a result of the Share Consideration contemplated under the Agreement, the issued share capital of the Company is likely to increase by between 2.42% and 2.67% in order to accommodate the possible allotment scenarios i.e. 95% up to 105% of the calculated 49,435,777 New Shares to be issued to the Vendors or its assignees at the Strike Price of K.Shs. 11/13 per share determined based on the volume weighted share prices for the immediate preceding 75 trading days to 9th December 2013. At present Britam's authorised share capital, is **2,150,000,000** ordinary shares of K.Shs.10 Cts each, of which **1,891,451,850** shares are issued and are fully paid or credited as fully paid and listed on the Main Investment Market Segment of the Nairobi Securities Exchange. This means that the Company can issue up to **258,548,150** ordinary shares without increasing its

authorised share capital. As such, the unissued shares are more than sufficient to accommodate the Consideration Shares.

The Share Consideration implies that all the shareholders' of record as at the Completion Date will be diluted by between 2.42% up to 2.67%. In this respect, upon Completion of the transaction the Company will issue a public announcement which will specify among others, the actual number of New Shares allotted to the Vendors or their Assignees. Shortly thereafter an application will be made to the NSE for Admission of the New Shares into the Official List of the NSE.

The Completion of the Acquisition will culminate in REAL becoming a 99% owned subsidiary of Britam and from this date Britam's consolidated financial statements will incorporate the financial statements of REAL and its subsidiaries. Such consolidated financial statements will take into recognition the Minority Interests existing from time to time.

Further, it is the intention of the Parties that following Completion, the general business of Britam will be combined with REAL's business under REAL or a New Special Purpose Company to be incorporated for this purpose. The Board is of the view that this combination/integration will be concluded between three to eighteen months of Completion.

Consequently, at each reporting date following Completion, Britam will prepare consolidated financial statements of the Group which will combine the financial statements of Britam and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses such that the consolidated financial statements shall present the Group's financial information as a single economic undertaking. These consolidated financial statements should ideally capture the positive financial impact anticipated from the Acquisition. Further information on the pro-forma effects of the Acquisition is set out in **Part 6**.

APPROVALS FOR THE ACQUISITION

Regulatory approvals have been sought from the CMA under the Capital Markets Act pursuant to The Fourth Schedule of the POS Regulations and from other Regulators. In addition, an application will be made to the NSE for Admission of the New Shares into the Official List of the NSE upon receipt of both shareholders' and regulatory approvals.

As required by law and the Company's Articles of Association, the Company's shareholders must be given the opportunity to assess and consider and, if deemed fit, approve the acquisition of 99% shareholding in REAL and the allotment to the Vendor or its Assignees the New Shares to be issued towards the Share Consideration.

You should be aware that your Board has given due consideration to this Transaction and determined that it should be recommended to the shareholders at the EGM.

ADDITIONAL INFORMATION

Included in Parts 3 - 8 of this Circular is additional important information and disclosures regarding the Transaction as follows:

Part 3 - Information on REAL

Part 4 – Summary of the valuation conducted by the Transaction Advisor

Part 5 – Information on Britam's share price and trading volumes

Part 6 - Pro-forma Financial Information

Part 7 – Additional CMA Disclosures and General Information

Part 8 – EGM Notice

Appendix I – Extract of Britam's Income Statement and Balance Sheets

RECOMMENDATION

Your Board is optimistic that this Transaction once completed will support the Company to achieve the intended regional expansion, expand its general business in Kenya, gain market share, promote risk diversification by carrying out business across several markets and thereby contribute favourably towards shareholder and stakeholder value. On this basis, the Directors unanimously recommend that the shareholders should vote in favour of the resolutions to be proposed at the EGM. The details of these resolutions are given under **Part 8** of this Circular.

I am delighted to present this opportunity to you and in case you are in any doubt as to what action to take, it is recommended that you seek independent professional advice from your stockbroker, investment advisor, accountant, banker, lawyer or other professional advisor.

Yours very truly,

Amb. Dr. F. K. Muthaura
CHAIRMAN

PART 3 - INFORMATION ON REAL INSURANCE COMPANY LIMITED

Background

REAL is an important player in the non-life insurance market in Kenya and was ranked 14 out of the 45 players based on the gross premium written by the Kenyan insurance sector as at 31st December 2012. Considered a pioneer in the Kenyan insurance sector since 1910, REAL (formerly known as Royal Insurance Company East Africa Ltd) offers non life insurance services through its fifteen (15) branches located in Nairobi and other major towns in Kenya as well as its three subsidiaries in Tanzania, Malawi and Mozambique (“REAL Group”). REAL Group is also part of the global network partnership of RSA Insurance Group plc (trading as RSA (formerly known as Royal & Sun Alliance Insurance Group)).

REAL Group employs around 239 people across its markets of operation, of which 106 are employed by the Kenyan operation, 50 in Tanzania, 49 in Malawi and 34 in Mozambique. Driven by innovation, it has a broad and responsive service offering that has recently enabled it to be voted as the top insurer in Tanzania. Brief details of REAL’s subsidiaries are as follows:


- REAL Insurance Tanzania Ltd: this is a 55% held subsidiary and was incorporated on 26th June 1998. At present it operates through five (5) branches of which two (2) are located in Dar es Salaam and the reminder three in Arusha, Mwanza and MBEA, all of which are strategic urban centres in Tanzania.
- REAL Insurance Malawi Ltd (formerly “Royal Insurance Company of Malawi Limited”): this is a 65% held subsidiary and was incorporated as a private company on 9th January 2000 (Registration Number 5488). In 2008 the company was converted to a public company and listed on the Malawi Stock Exchange. It has four branches namely: Head Office in Blantyre, one in Lilongwe the capital city, one in Muzuzu and the fourth in Nzoba.
- Real Companhia de Serugos de Mozambique, S.A: is a hundred percent held subsidiary established in August 2010 (Certificate of Company’s name, dated 2 July 2010; Public deed of incorporation, dated 14 July 2010; Articles of Association, dated 14 July 2010; Publication of the Articles of Association in Official Gazette, number 33, III Series dated 20 August 2010). It currently operates two branches – at the Head Office in Maputo and the Tete Branch.

With the exception of Malawi, all the other operations were profitable as at 31st December 2012.

Board and Governance

REAL has practiced sound corporate governance over the years under the stewardship of its board of directors. The Board has eight members comprising of seven non-executive members and the Chief Executive. The Board oversees management on behalf of shareholders, formulates the business strategy, approves policies and procedures, overseas risk management and monitors key operational and performance indicators to ensure that the operations operate and perform in line with expectations. REAL and its subsidiaries are regulated by the relevant insurance acts under the over-site of the applicable regulators. Save for Malawi where insurance regulation is the responsibility of the Central Bank all the other operations are regulated by the applicable insurance regulatory authorities. Before admission to the Board, all directors are subjected to fit and proper pre-approval process by their respective regulators. The fit and proper approval process takes into account the experience, track record and integrity of each board member. The profiles for the incumbent board members’ are given below.

Directors Profile

Director	Profile
Samson Kamau 	Sam is Chairman of the Board of Directors. He has played an active role in growing the insurance industry in Kenya and has in the past served as Chairman of the Association of Kenya Insurers for 3 years. He contributed significantly in putting in place the current structures of a very strong industry. Under his watch as Group Managing Director for 19 years, Real Insurance has grown tremendously and established presence in Tanzania, Malawi

Director**Profile**

and Mozambique.

Overall, Sam is a very skilled Corporate Leader and has attended several courses in management, Finance, Leadership and Corporate Governance both locally and internationally.

Joe Muchekehu

Joe is a director in the Group. He has over 38 years' experience in Finance, Accounting & Management Consulting and has been instrumental in the development of the Accountancy Profession in Kenya (Past chairman of ICPA (K); Kenya College of Accountancy & Country representative on the International Assembly of Chartered Certified Accountants). He previously worked for NEGST University as the Deputy Vice Chancellor (Finance, Administration and Development) between 2004 and 2007. Prior to joining NEGST University, Joe was a Partner with the professional firm of Bellhouse Mwangi. Joe is also a founder member of Building Men for Christ (BMC). He is a graduate of London School of Accountancy and also Biola University (Talbot School of Theology). Therefore, he is a very skilled Corporate Leader.

Edward Njoroge

Edward is a director in the Group. He is the immediate Managing Director & CEO of KENGEN a position he held between 2003 and 2013. Prior to joining KenGen he had worked for Twiga Chemicals, Akile Associates and was the founder of ABCON a chemical trading house. He is a BSc (Hons) Chemistry/Biochemistry from Makerere University.

Eddy has significant wealth in corporate leadership. He sits on the boards of leading entities namely; CfC Stanbic, Telkom Kenya as Chair, Nairobi Securities Exchange as Chair and Aureos Fund as Chair. He has attended many courses both locally and overseas on Sales, Marketing, Finance and Corporate Governance.

Constance Gakonyo

Constance is a director in the Group. She has a wealth of experience in benchmarking and performance monitoring, human capital and legal consulting. She worked previously with SABMiller Africa & Asia (Pty) Ltd (Johannesburg, South Africa) as a Performance Management and Legal Consultant between 2004 and 2006. Other companies she has worked with include Nile Breweries Limited (Uganda), Castle Brewing Kenya Limited and Standard Newspaper Group. She has an MBA majoring in Strategic Management, and Bachelor of Laws (LLB) both from the University of Nairobi.

Ian Mukuria

Ian is a director in the Group. His area of competence is strategic management and research. He has worked previously as an Executive Director at Nanu Investments Limited and at Aarons Hotel as the Group Auditor. He has an MBA (Edith Cowan University, Australia), BSc in International Business Administration (USIU) and Graduate Diploma in Management. He is currently pursuing a Doctorate in business administration at Edith Cowan University, Australia.

Morris Wahome

Morris is a director in the Group. A career banker; he worked with Barclays Bank of Kenya for 32 years up to 30th June 1998 in both retail and corporate banking rising to the position of General Manager of the Bank. He is also a past Chairman of Kenya Bankers Association. Currently, Morris is engaged in growing of roses and coffee for export market on two farms owned by the family. He holds a B.A. Degree in Economics and has also attended several professional and Management courses both locally and overseas. He therefore brings a wealth of experience to the Board.

Director**Profile****Joseph Kiuna**

Joseph is the Group CEO since October 2008. He is tasked with managing the overall strategy and development of Real Insurance Company Ltd and its subsidiaries. He has significant insurance industry experience with a career spanning over 20 years. Prior to joining REAL, he previously worked with Madison Insurance, AON Minet and Heritage Insurance.

He is a B.A. Economics from Kenyatta University. He is also an Associate Member, Chartered Institute of Arbitrators; a Chartered Insurance Practitioner; Associate Member, Insurance Institute of Kenya; and Associate Diploma, Chartered Insurance Institute. He has also attended several professional courses in Strategic Leadership for CEOs, Business Process Re-Engineering, among others.

Mike Laiser

Mike is an Enterprise Development Economist. His main area of focus is SME Development, Micro-Finance, Industrial Development and Management, and Technology Transfer. He has coalesced experience over the years having worked in very senior executive positions in Small Industries Development Organisation (SIDO), National Income Generating program (NIGP) and as Regional Economist in Arusha, Tanzania.

He has an MA Development Economics (Williams College Boston, USA), B.A. Economic Planning (University of Dares Salaam), Post graduate Diploma (University of Colorado, USA) and Post graduate Diploma (University of Bradford, UK).

Profiles of the Senior Management team

Real Insurance Company Limited

Joseph Kiuna See CV under directors.
(Group CEO)

Joshua Chiira **Joshua** is the Chief Operating Officer at Real Insurance Company Limited a role he assumed (Chief Operating Officer) 2011. He has over twenty-one years experience in the insurance sector. He commenced his career with Blue Shield in 1992 as a management trainee a position he served upto 1993. In 1994 he joined UAP and rose through the ranks to the position of Head of Corporate and Technical Business and then left for REAL in 2011. Joshua is an Associate of the Chartered Insurance Institute (ACII) (London) and holds a Bachelor of Commerce degree from the University of Nairobi. Joshua has also participated in several insurance courses namely; certification in general insurance management from Puna University, professional insurance management Zurich, Switzerland, conference for African Insurance for exchange of experiences in micro-insurance distribution including other technical courses in insurance and management in Zimbabwe, South Africa and Kenya.

Godfrey Kamau **Godfrey** is the Chief Finance Officer at Real Insurance Company Limited a role he was (Chief Finance Officer) appointed to in August 2012. Godfrey commenced his accounting career in 1989 and worked for various companies before joining REAL in 1998 as an accounts assistant, rising to the position of a Chief Accountant in 2009. In September 2011 he was seconded to REAL Mozambique as the Finance Manager and Company Secretary a position he served up to July 2012 when he returned to Kenya to assume the role of CFO.

Godfrey is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Public Secretaries of Kenya (ICPSK). He has attended various

courses on finance, management and leadership.

Wachuka Ndei (Human Resource Manager) **Wachuka** is the Human Resource Manager at Real Insurance Company Limited a position she took in 2009. She commenced her career in 1991 with Unilever Kenya Ltd as a sales assistant and rose to the position of a sales manager in 1998. She left Unilever in 2003 to pursue a diploma in human resource management. Upon completion in 1994 she joined Virtual Group and thereafter Plan International (Kenya Country Office) as HR Administrator a position she served upto 2009.

Wachuka is a BA from Kenyatta University and a holder of Higher Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM). She has attended various human resource related courses in talent management, succession planning, staff performance management and customer service.

James Kamau (Chief Accountant) **James** is the Chief Accountant of Real Insurance Company Limited a position he took in March 2013 having previously served as the Audit, Risk and Compliance Manager of the Company since late 2011. He commenced his accountancy career with Deloitte & Touche in 2002 where he worked up to 2006 and then left for Ernest & Young in Bermuda. He came back to Kenya at the end of 2008 and was in July 2009 recruited by James Finlay Limited as the Senior Group Internal Auditor a position he served for two years before joining REAL in 2011.

He is a Member of the Institute of Certified Public Accountants of Kenya (ICPAK), and a Certified Internal Auditors (CIA), Certified Financial Services Auditors (CFSA), Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE). He holds a BA (Building Econ.) and is also an MBA.

Stephen Lokonyo (Senior Underwriting Manager) **Stephen** is the Senior Underwriting Manager at Real Insurance Company Limited a position he took in late 2012. He commenced his career with Heritage in 1995 and rose to the position of an assistant underwriting manager. In 2004 he left Heritage for UAP and served as the underwriting manager up to 2010 when he left for AIG Kenya Insurance Company Limited to work as the Profit Center Manager in Property, Energy and Marine. In 2012 left AIG for REAL.

Stephen is a Bachelor of Commerce (Insurance Option). He is also a qualified Associate of the Chartered Insurance Institute (ACII), London. Stephen has also attended various insurance, finance and professional skills courses.

Real Insurance Tanzania Limited

Stephen Okundi (CEO) **Stephen** is CEO of Real Insurance Tanzania a position he assumed in 2010. He has a twenty year career experience in the insurance sector commenced in 1993 with the Insurance Company of East Africa (ICEA). In 1999 he left ICEA and joined REAL's predecessor, the Royal Insurance Company of East Africa in Kenya as an assistant underwriting manager and rose through the ranks to become the Chief Operating Officer of REAL in 2008, a position he served until his posting to REAL in Tanzania as the CEO. Stephen is a BA Econ (Hons) Kenyatta University and a qualified Associate of the Chartered Insurance Institute London (ACII). He is an associate member of the Chartered Insurance Institute, London, UK, and Insurance Institutes of Kenya and Tanzania. He is currently pursuing an MBA at Edinburg Business School Heriot - Watt University, Scotland, UK and Insurance Fellowship (FCII) with the Chartered Insurance Institute.

Sodson Manatsa (Chief Operating) **Sodson** is the Chief Operations Officer of Real Insurance Tanzania a position he took in 2007. He has over twenty five year experience in insurance which he started in April 1988 with RM

Officer)	Insurance Company Pvt Ltd, Zimbabwe (“RM”). At RM he rose through the ranks and became Personal Lines Underwriting Manager in January 2000. In 2002 he left RM to join the Standard Fire and General Insurance Company (later renamed “SFG Insurance Company Pvt Ltd”) in Zimbabwe as a Marketing Manager. He rose through the ranks to become the Regional Manager Northern in January 2004 a position he served until 2007 when he left for REAL in Tanzania. Sodson is a qualified Associate of the Chartered Institute of Insurances (SA) (A.C.I.I (SA)) and a Fellow of the same Institute F.C.I.I (SA). He is currently enrolled with the ESAMI Executive MBA Program.
Amani Boma (Business Development & Marketing Manager)	Amani is the Business Development and Marketing Manager of Real Insurance Tanzania a position he took in August 2009. He has a wealth of experience in business development, sales and marketing. He commenced his working career as a purchasing officer with General Tyre East Africa Ltd (T), Arusha, Tanzania in 1998 and rose through the ranks to become the Branch Manager in June 2002 of the Company’s operations in Uganda, a position he served until April 2004. In October 2004 he joined Sameer Africa (T) Ltd, Mwanza-Tanzania as Territory Sales Manager. In 2006 he left Sameer Group to join Airtel as a Regional Sales Manager Lake Region a position he served upto 2009 when he took a career with REAL. He holds a BA Degree from University of Dar es Salaam, and a Postgraduate Diploma in Management (Uganda Management Institute). He is currently enrolled with the ESAMI Executive MBA Program.
Emile Brown (Finance Manager)	Emile is the Finance Manager of Real Insurance Tanzania. She commenced her accounting career in 2002 with the Dar es Salaam Water Company (DAWASCO) and rose through the ranks to become a Financial Accountant in April 2006 a position she served up to April 2007. She joined REAL in May 2007 initially as an accountant and rose through the ranks to become a chief accountant in 2010 and then the finance manager in 2012. Emile is a qualified accountant (ACPA) and an MBA in Finance and Banking from Mzumbe University in Tanzania.
Real Insurance Malawi	
Grant Mwenechanya (CEO)	Grant was appointed as the CEO of Real Insurance Company of Malawi in 2012. He commenced his insurance career in 1994 as a Management Trainee with Nico General Insurance Company (largest insurer in Malawi) and trained up to 1995. In 1995 he left his previous employer for the United General Insurance Company where he rose through the ranks to become General Manager Operations, a position he served until 2012 when joined Real Malawi. Grant is a Bachelor of Social Science (Chancellor College) and an Associate of the Chartered Insurance Institute London (ACII) a qualification he attained in 2010. He is an associate member of the Chartered Insurance Institute, London, UK. In addition he has attended various professional courses in Insurance and Business Management.
Ellection Mlaviwa (Chief Finance Officer & Company Secretary)	Ellection is the Chief Finance Officer and Company Secretary of Real Insurance Company of Malawi, a position he assumed in December 2010. He has over twenty five years experience in finance gained from various sectors including Mulli Brothers Limited as a Financial Controller, Tambala Food Products as Finance and Administration Manager, Gestetner Limited as a Finance and Administration Manager and Deloitte as an Audit Assistant. He holds a Bachelor of Social Science Degree obtained in 1988 from Chancellor College majoring in Economics and Statistics and is also an affiliate of the Association of Chartered Certified Accountants.
Chief Operating	Vacant – currently being filled

Officer**Real Companhia de Seguros de Mozambique**

George Sithole (CEO) **George** is the CEO of Real Insurance Mozambique a position he assumed in September 2010. Prior to this appointment, he had served as the CEO of Real Insurance Tanzania between 2006 and 2010. Overall, he has over twenty-four years experience in the insurance sector. George commenced his career with RM Insurance Limited in 1989 and rose to the position of an underwriting manager. In 1996 he left RM for Zimnat Insurance Company Limited to work as a Customer Services Manager. In 1998 he left Zimnat to become the Operations Director of SFG Insurance Company Limited and served in this capacity before leaving for REAL in 2006.

He is a Masters in Business Leadership from Zimbabwe Institute of Management and an Associate Member of Chartered Insurance Institute (ACII) and Fellow of the Insurance Institute of South Africa (FIISA).

Kevin Gurure (Operations Manager) **Kevin** is the Operations Manager at Real Companhia de Seguros de Mozambique a position he took in January 2011. He has over seventeen years' experience in the insurance industry gain from REAL, RM Insurance, Zimnat Insurance, CGU Insurance and Reinsurance Brokers International. Kevin has a Diploma in Business Administration from Zimbabwe Institute of Management and is also an Associate member of the Insurance Institute of South Africa (AIISA).

Stephen Wambugu (Chief Accountant) **Stephen** is the Chief Accountant of Real Companhia de Seguros de Mozambique a position he took in September 2012. He has eleven years experience in accounting. He commenced his career with a firm of accountants (Njagi Isaac & Associates-CPA (K)) in Kenya in 2003 and rose to the position of audit senior. He left the accountancy firm in 2007 for the Kenyan Alliance Insurance Company Limited as an Accountant. In 2008 he was recruited by REAL as a senior financial accountant and served in this position until his secondment to REAL in Mozambique as a Chief Account in 2012.

Stephen is a Bachelor of Commerce from KCA University and a Certified Public Accountant of Kenya. He is currently sitting for his CPS and ACCA exams.

Historical Financial information

REAL prepares its financial statements to 31 December each year in accordance with International Financial Reporting Standards. The sections that follow set out extracts of REAL's audited consolidated financial statements for the three financial periods to 31 December 2012, which were issued without qualification. The extracts from consolidated financial statements for the six months period to 30 June 2013 are un-audited.

Summarised Consolidated Income Statements

Table 1: REAL Income Statement

	30-Jun-13	31-Dec-12	31-Dec-11	31-Dec-10
	Shs 000	Shs 000	Shs 000	Shs 000
Gross earned premiums	2,044,104	3,744,443	2,746,769	2,319,738
Less: reinsurance premiums ceded	(748,525)	(1,601,426)	(782,821)	(638,659)
Net earned premiums	1,295,579	2,143,017	1,963,948	1,681,079
Investment income	71,417	107,809	115,451	115,714
Commissions earned	177,983	389,191	219,147	177,321
Other income	612	63,581	26,560	2,848
Net income	1,545,591	2,703,598	2,325,106	1,976,962
Claims and policyholder benefits payable	959,615	1,878,475	1,399,706	1,146,629
Less: amounts recoverable from reinsurers	(278,986)	(654,969)	(361,544)	(184,113)
Net claims and policyholder benefits payable	680,629	1,223,506	1,038,162	962,516
Operating and other expenses	512,745	836,438	861,493	645,302
Commissions payable	310,246	437,501	307,276	270,229
Fair value loss on quoted shares	-	5,517	11,843	8,497
Provision for bad debts	-	371	-	197
Interest on borrowings	391	371	-	197
Total expenses and commissions	823,382	1,279,827	1,180,612	924,225
Results of operating activities	41,580	200,265	106,332	90,221
Share of associate's profit	-	-	-	-
Profit before tax	41,580	200,265	106,332	90,221
Income tax expense	(14,712)	(93,500)	34,215	(11,647)
Profit after tax for the year	26,868	106,765	140,547	78,574
Other comprehensive income				
Changes in fair value of available for sale financial assets	5,640	18,670	13,040	5,604
Currency translation differences	(31,258)	(49,490)	(4,898)	3,288
Deferred tax on revaluation of land and buildings (note 1)	-	(3,459)	-	-
Total other comprehensive income for the year	(25,618)	(34,279)	8,142	8,892
Total comprehensive income for the year	1,250	72,486	148,689	87,466

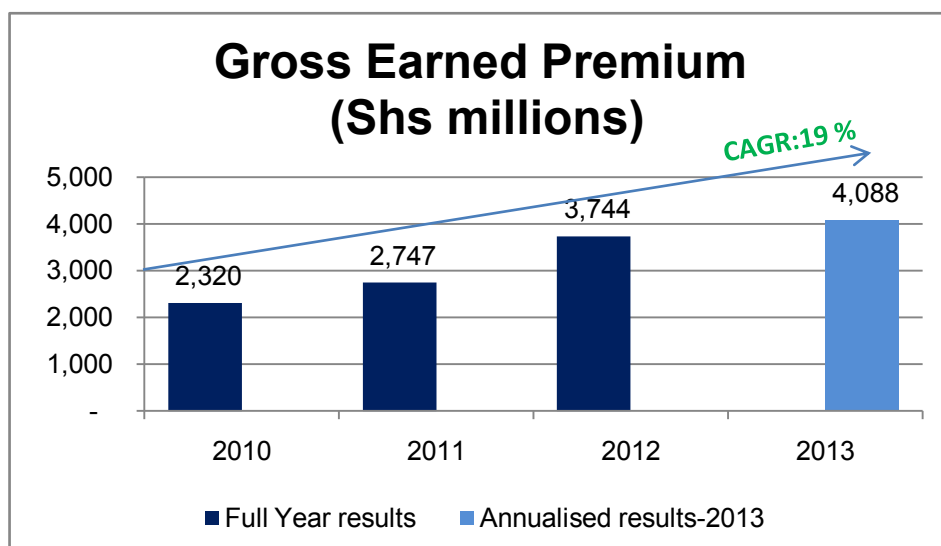
Source: Annual Reports and half year management accounts

Note 1: deferred tax for the six months has not been included in the six months management accounts.

Gross Earned Premium

The following is a graphical analysis of the group's gross premium growth profile:

Figure 1: Analysis of Gross Earned Premium



Source: Annual Reports, Management Accounts for 30th June 2013 and Pacifis Analysis

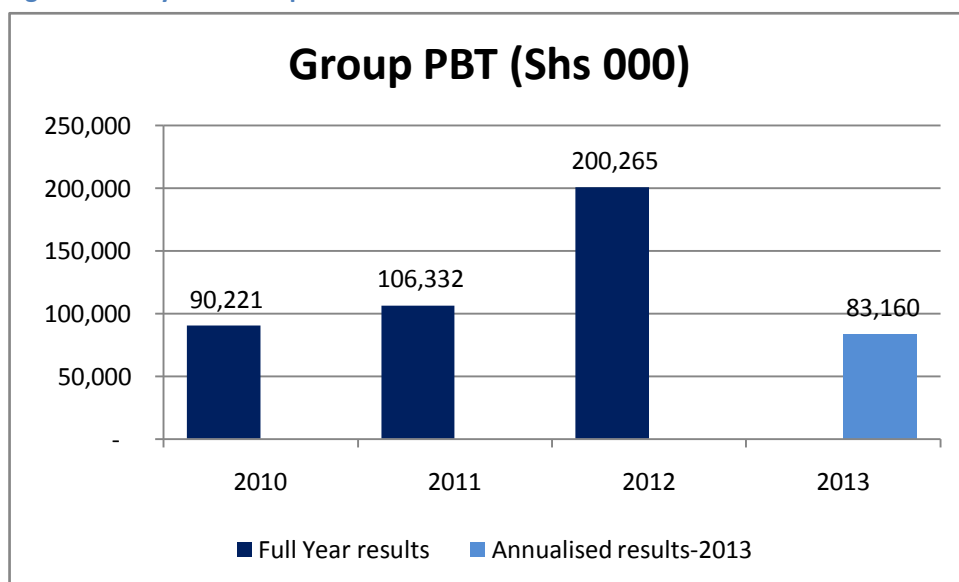
On an annualised basis, the gross earned premiums are expected to increase by 9.2% in 2013 compared to 36% increase recorded in year 2012. Again on an annualised basis, four year compounded annual growth rate in gross earned premiums to 2013 is projected at 19%.

Group Profit before Tax

The Group Profit before Tax for the six months FY2013 annualised has decreased when compared to FY2012 and 2011. This decrease is attributed to lower projected recoveries on claims from reinsurers, increased operating expenses and other office expenses and commissions payable. The management of REAL consider this to be temporary and are confident that this will reverse.

The following is a graphical analysis of the group's historical profitability trend:

Figure 2: Analysis of Group Profit before Tax



Source: Annual Reports, management accounts for 30 June 2013 and Pacifis Analysis

The group recorded a profit before tax of K.Shs 41.5 million for the six months ending 30 June 2013 (annualised 83.2 million) which is a drop from FY2012 group profit before tax of K.Shs 200 million by 58.4%. The FY2012 performance had improved over FY2011 performance of K.Shs 106 million by 88% while FY2011 performance had improved over FY2010 performance of K.Shs 90.2 million by 18%. The group's profitability

is driven mainly by the growth in premiums but in FY2013 lower levels of recovery on claims and certain costs increases have impacted unfavourably on PBT.

Summarised Consolidated Balance Sheets

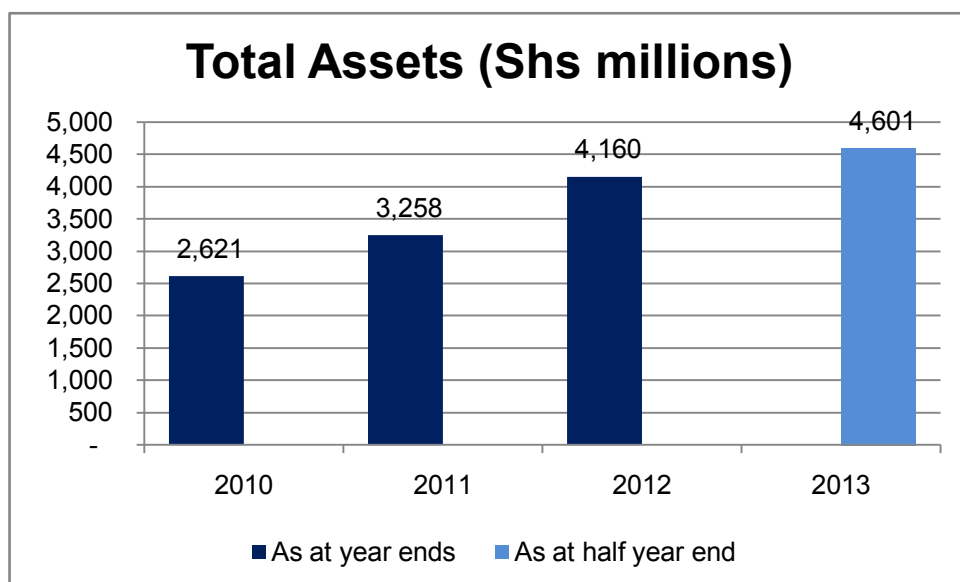
Table 2: REAL Statement of financial position

	30-Jun-13	31-Dec-12	31-Dec-11	31-Dec-10
	Shs'000	Shs'000	Shs'000	Shs'000
Capital Employed				
Share capital	300,000	300,000	300,000	300,000
Retained earnings	224,548	268,061	260,588	176,157
Revaluation and other reserves	(9,461)	(59,878)	(30,313)	(38,455)
Statutory reserves	52,994	52,994	38,792	33,528
Non-controlling interest	55,428	61,082	78,496	88,408
Proposed dividends	-	30,000	60,764	29,000
Shareholders' funds	623,509	652,259	708,327	588,638
Assets				
Property plant and equipment	103,831	101,877	107,142	107,865
Intangible assets	1,795	566	3,308	13,345
Financial assets at fair value through profit or loss	112,631	108,172	84,030	124,879
Financial assets held to maturity	232,311	261,789	203,900	175,448
Receivables	2,517,330	2,221,703	1,760,747	1,273,049
Deferred acquisition costs	192,763	154,761	143,021	118,639
Deferred tax asset	39,744	27,984	49,181	-
Current tax recoverable	44,246	5,502	6,699	26,257
Due from related parties	588,669	558,600	566,159	409,206
Deposits with financial institutions	653,729	539,363	185,834	287,121
Cash at bank and in hand	114,128	180,179	148,450	84,950
Total Assets	4,601,177	4,160,496	3,258,471	2,620,759
Liabilities				
Payables	3,938,169	3,465,812	2,486,861	1,974,770
Deferred tax liability	279	6,634	6,810	47,367
Current tax payable	35,966	25,585	27,473	5,830
Dividend payable	300	6,735	29,000	114
Severance provision	-	-	-	3,822
Borrowings	2,954	3,471	-	218
Total Liabilities	3,977,668	3,508,237	2,550,144	2,032,121
Net Assets	623,509	652,259	708,327	588,638

Source: Annual Reports and half year management accounts to 30th June 2013

REAL's group total assets stood at K.Shs 4.6 billion as at 30 June 2013 up from K.Shs 4.2 billion at 31 December 2012 and K.Shs 3.2 billion in 2011. This growth has been driven by increased premiums over the period. The Net Assets as at 30th June 2013 have only grown marginally over the 31st December 2012 (K.Shs 622 after deduction of the dividend payable of K.Shs 30 million) owing to the low comprehensive income as at 30th June 2013. Figure 6 below provides an analysis of total assets from the end of FY2010 up to 30th June 2013.

Figure 3: Analysis of Group Total Assets



Source: Annual Reports, Management Accounts for 30th June 2013 and Pacifis Analysis

PART 4 – EXTRACT FROM VALUATION REPORT

The Board appointed a Transaction Adviser (Pacifis Advisory Limited) to provide an indicative market value of REAL's equity representing the price at which the Company would change hands between a willing buyer and a willing seller, neither being under the compulsion to act and both having full/reasonable knowledge of the relevant facts of the Target and market conditions. The valuation date was 31st December 2012 and the Transaction Adviser conducted the valuation utilising three methods namely: the Discounted Cashflow ("DCF") Method, Price Earnings ("PE") Multiples Method and the Net Assets ("NAV") Multiples Method, which are briefly elaborated here below.

Discounted Cashflow ("DCF") Method: this is a prospective income approach method adjusted for cashflows and growth considerations. This method recognizes that value is future oriented and accordingly the theoretically correct manner to assess value is to consider the future earnings potential of the business. The DCF method is based on the premise that the value of a company can be estimated today by forecasting the future financial performance of the business and identifying the net cash that the business generates for the shareholders (Free Cash Flows to the Firm). Cash flows for all future years are then discounted by a risk-adjusted cost of capital back to the present to obtain the present value of those future cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business. The risk-adjusted cost of capital ("discount factor") utilised for purposes of discounting the cash flows for Kenya was **19.09%**, Tanzania **20.38%** and Mozambique **21.67%**. For Malawi the cost of capital had been calculated at **23.26%** but the DCF was not applied as the market value basis was used instead.

This method is sensitive to the accuracy of the projections and the choice of discount factor. The choice of the discount factor may vary from investor to investor, depending upon their attitude to risk.

Price Earnings ("PE") Multiples Method: this is also an earnings approach based valuation. Specifically, Buyers and Sellers of businesses sometimes use a formula to value companies or equity shares that is based on price-earnings ('P/E') multiples or other income based multiples. The term simply means the number of times the earnings (after-tax profits) of a firm can be divided into the price. An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach. It involves the use of an earnings multiple and a maintainable earnings estimate usually derived from historical performance but there are also no limitations to use of future performance in which case forward PE multiples would be applied.

An estimated sustainable level of future earnings for a business ('maintainable earnings') is multiplied with an appropriate multiple to those earnings, capitalising them into a value for the business.

The maintainable level of future earnings may be defined as the level below which, in the absence of unforeseen or exceptional circumstances, the earnings would not be likely to fall in an average year. In the case of this valuation the historical PE multiples were applied.

Net Assets Value ("NAV") Multiples Method: Under a net assets approach, total value is based on the sum of net asset value plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to book multiple, which can then be compared to that of similar companies and the latter was applied to value the Company.

Malawi Modified Valuation: the Malawi subsidiary is listed on the Malawi Stock Exchange. In the circumstances and although the stock is not actively traded, the valuation was taken to be the market value of the company's shares at the date of valuation less a 30% discount to accommodate the stock illiquidity risk.

CONCLUSIONS

Based on a combination of these approaches, the following high and low values were returned:

Table 3: REAL Group Valuation Results

Valuation Method	Valuation Results Kshs 000	Comment
DCF Method incorporating Malawi's market value	1,406,905	Moderate
PE Multiples based valuation incorporating Malawi's market value	1,605,581	High
NAV Multiples based valuation incorporating Malawi's market value	931,499	Low

The agreed Purchase Consideration of Kshs 1,375,550,500/= therefore falls within the low and high bands of valuation. Furthermore, from an Investor's point of view the income approaches and more importantly the DCF are considered to be the most responsive valuation methods because they reflect what the Investor will derive from the business.

The shareholders should be aware that the prospective financial information used for the business valuation contains forward-looking statements with respect to REAL's business, financial condition and results of operations. Such information is subject to risks and uncertainties that could cause actual results to differ materially from those forecasted, and due regard should be given to this fact.

PART 5 - INFORMATION ON BRITAM'S SHARE PRICES

As stated in the Chairman's letter, forty percent of the Purchase Consideration is to be satisfied through issue of New Shares to the Vendor or its Assignees. Under the Agreement the target number of New Shares to be allotted to the Vendor has been calculated at 49,435,777 based on the Strike Price of K.Shs. 11/13 per share utilising the volume weighted share prices for the immediate preceding 75 trading days to 9th December 2013. It is a term of the Agreement that the ultimate number of New Shares to be issued to the Vendor will be determined on the basis of the Final Strike Price calculated from the volume weighted average trading price of Britam's stock for the immediate 75 trading days preceding Completion. To accommodate approval and execution, the Board proposes to allot not more than 51,907,566 New Shares (representing 105% of the shares calculated at Strike Price) to the Vendor and not less than 46,963,988 New Shares (representing 95% of the shares calculated at Strike Price) in satisfaction of the Share Consideration. If at Completion the Final Strike Price falls below 95% of the Strike Price, BRITAM will (a) allot 51,907,566 New Shares towards the Share Consideration; and (b) pay to the Vendor the balance between Kshs 550,220,200/= and the value of the Shares calculated at the Final Strike Price by way of cash ("Additional Cash Consideration").

The Current Strike Price represents a share price appreciation of approx. 23.67% above the issue price of K.Shs 9/= per share at the initial public offering. The Board is also comfortable that the duration of 75 trading days taken in the calculation of the Strike Price represents a fair and rational transacting basis for the Share Consideration.

The table below tabulates the average share prices and volumes during the immediate preceding 75 trading day period to 9th December 2013.

Table 4: Volume Weighted Average Price for the immediate preceding 75 trading days to 9th Dec 2013

No	Date	VWAP	Turnover	Total Value for shares sold Kshs	No	Date	VWAP	Turnover	Total Value for shares sold Kshs
1	22-Aug-13	8.20	265,000	2,173,000	39	15-Oct-13	9.90	4,444,800	44,003,520
2	23-Aug-13	8.25	36,800	303,600	40	16-Oct-13	10.10	2,759,300	27,868,930
3	26-Aug-13	8.25	70,700	583,275	41	17-Oct-13	9.95	1,294,300	12,878,285
4	27-Aug-13	8.05	78,200	629,510	42	18-Oct-13	9.95	559,900	5,571,005
5	28-Aug-13	7.90	286,700	2,264,930	43	22-Oct-13	10.10	518,700	5,238,870
6	29-Aug-13	8.00	308,500	2,468,000	44	23-Oct-13	10.10	505,000	5,100,500
7	30-Aug-13	8.20	217,300	1,781,860	45	24-Oct-13	10.15	595,600	6,045,340
8	02-Sep-13	8.15	94,000	766,100	46	25-Oct-13	10.15	327,500	3,324,125
9	03-Sep-13	8.10	252,300	2,043,630	47	28-Oct-13	10.10	327,600	3,308,760
10	04-Sep-13	8.25	129,600	1,069,200	48	30-Oct-13	10.15	526,900	5,348,035
11	05-Sep-13	8.25	170,400	1,405,800	49	31-Oct-13	10.35	634,900	6,571,215
12	06-Sep-13	8.25	315,400	2,602,050	50	01-Nov-13	10.65	179,600	1,912,740
13	09-Sep-13	8.20	264,800	2,171,360	51	04-Nov-13	10.80	10,270,600	110,922,480
14	10-Sep-13	8.15	163,000	1,328,450	52	05-Nov-13	10.80	339,400	3,665,520
15	11-Sep-13	8.00	164,000	1,312,000	53	06-Nov-13	10.55	360,000	3,798,000
16	12-Sep-13	8.00	88,200	705,600	54	07-Nov-13	10.20	259,400	2,645,880
17	13-Sep-13	8.00	359,100	2,872,800	55	08-Nov-13	10.30	112,600	1,159,780
18	16-Sep-13	8.05	283,800	2,284,590	56	11-Nov-13	10.30	306,700	3,159,010
19	17-Sep-13	8.00	93,000	744,000	57	12-Nov-13	10.35	576,400	5,965,740
20	18-Sep-13	8.05	252,300	2,031,015	58	13-Nov-13	10.30	287,800	2,964,340
21	19-Sep-13	8.10	435,400	3,526,740	59	14-Nov-13	10.90	1,248,500	13,608,650
22	20-Sep-13	8.15	153,300	1,249,395	60	15-Nov-13	11.05	375,000	4,143,750
23	23-Sep-13	8.10	213,100	1,726,110	61	18-Nov-13	11.00	688,100	7,569,100
24	24-Sep-13	8.05	222,800	1,793,540	62	19-Nov-13	11.25	341,000	3,836,250

No	Date	VWAP	Turnover	Total Value for shares sold Kshs	No	Date	VWAP	Turnover	Total Value for shares sold Kshs
25	25-Sep-13	8.10	325,400	2,635,740	63	20-Nov-13	12.10	531,400	6,429,940
26	26-Sep-13	8.05	44,400	357,420	64	21-Nov-13	12.85	558,500	7,176,725
27	27-Sep-13	8.05	92,500	744,625	65	22-Nov-13	13.20	5,541,700	73,150,440
28	30-Sep-13	8.10	250,000	2,025,000	66	25-Nov-13	14.75	1,633,200	24,089,700
29	01-Oct-13	8.20	123,700	1,014,340	67	26-Nov-13	15.45	1,740,300	26,887,635
30	02-Oct-13	8.25	2,128,600	17,560,950	68	27-Nov-13	16.35	2,007,600	32,824,260
31	03-Oct-13	8.40	955,900	8,029,560	69	28-Nov-13	15.75	1,806,000	28,444,500
32	04-Oct-13	8.70	1,010,900	8,794,830	70	29-Nov-13	14.25	958,300	13,655,775
33	07-Oct-13	8.95	607,100	5,433,545	71	02-Dec-13	14.25	1,420,300	20,239,275
34	08-Oct-13	9.05	720,800	6,523,240	72	03-Dec-13	15.45	974,400	15,054,480
35	09-Oct-13	9.45	4,965,100	46,920,195	73	04-Dec-13	15.00	830,200	12,453,000
36	10-Oct-13	9.45	2,455,800	23,207,310	74	05-Dec-13	15.25	1,112,000	16,958,000
37	11-Oct-13	9.50	3,051,700	28,991,150	75	06-Dec-13	15.00	973,900	14,608,500
38	14-Oct-13	9.45	355,600	3,360,420					
Subtotal: 1-38 trading days								22,005,200	195,434,880
Subtotal: 39-75 trading days								47,927,400	582,582,055
Total : 1-75 trading days								69,932,600	778,016,935
Volume weighted average price/Share Kshs									11.13

PART 6 - PRO-FORMA FINANCIAL AND SHAREHOLDING INFORMATION

Pro-forma income statement

The Board considers that the dilutive impact of the increase in issued share capital on earnings per ordinary share will not be material and further that this will be offset by the incremental earnings arising from REAL's business given that the existing PE multiples of Britam at the signing of the SPA closely correlate to REAL's PE multiple based on an average of FY2010, FY2011 and FY2012 earnings. Furthermore the Acquisition is expected to unlock further value for the group because of the projected expanded scale of general business and entry into some of the highest growth markets – accordingly, it is projected in the medium- to long-term this Acquisition's impact on earnings will be favourable.

The following is the Proforma consolidated income statement for Britam for the 6 months period ended 30 June 2013 and 12 months period ended 31 December 2012 assuming that the Acquisition had been consummated on both dates.

Table 5: Pro forma consolidated Income Statement

Figures in Shs'000	6 months to 30 Jun 2013			12 months to 31 Dec 2012		
	BRITAM	REAL	Pro forma	BRITAM	REAL	Pro forma
Revenue						
Gross earned premiums	4,402,259	2,044,104	6,446,363	6,849,692	3,744,443	10,594,135
Less: reinsurance premium ceded	(577,578)	(748,525)	(1,326,103)	(893,001)	(1,601,426)	(2,494,427)
Net earned premium	3,824,681	1,295,579	5,120,260	5,956,691	2,143,017	8,099,708
Fund management fees	267,164	-	267,164	377,208	-	377,208
Investment income	1,060,872	71,417	1,132,289	1,971,016	107,809	2,078,825
Net realised gains on financial assets	333,778	-	333,778	45,554	-	45,554
Net fair value gains on financial assets at fair value through profit and loss	2,349,941	-	2,349,941	3,032,092	-	3,032,092
Commissions earned	137,586	177,983	315,569	307,639	389,191	696,830
Other income	12,223	612	12,835	53,184	63,581	116,765
Total Revenue	7,986,245	1,545,591	9,531,836	11,743,384	2,703,598	14,446,982
Expenses						
Insurance claims and loss adjustment expenses	1,731,578	959,615	2,691,193	4,282,914	1,878,475	6,161,389
Less: amount recoverable from reinsurers	(144,266)	(278,986)	(423,252)	(1,803,019)	(654,969)	(2,457,988)
Change in actuarial value of policyholder benefits	909,868	-	909,868	1,189,436	-	1,189,436
Net insurance benefits and claims	2,497,180	680,629	3,177,809	3,669,331	1,223,506	4,892,837
Interest payments/increase (decrease) in unit value	1,178,365	391	1,178,756	1,608,828	371	1,609,199
Operating and other expenses	1,229,229	512,745	1,741,974	2,286,578	836,438	3,123,016
Commissions payable	887,553	310,246	1,197,799	1,476,086	437,501	1,913,587
Provision for bad debts	-	-	-	-	5,517	5,517
Total Expenses	5,792,327	1,504,011	7,296,338	9,040,823	2,503,333	11,544,156
Profit before share of the associate	2,193,918	41,580	2,235,498	2,702,561	200,265	2,902,826
Share of profit of the associate	86,408	-	86,408	146,845	-	146,845
Profit before tax	2,280,326	41,580	2,321,906	2,849,406	200,265	3,049,671
Income tax expense	(121,984)	(14,712)	(136,696)	(329,945)	(93,500)	(423,445)
Profit	2,158,342	26,868	2,185,210	2,519,461	106,765	2,626,226

Figures in Shs'000	6 months to 30 Jun 2013			12 months to 31 Dec 2012		
	BRITAM	REAL	Pro forma	BRITAM	REAL	Pro forma
Other comprehensive income items net of tax:						
Gains on revaluation of land and buildings	-	-	-	147,967	-	147,967
Gains/(losses) on revaluation of available-for-sale financial assets	1,512,583	5,640	1,518,223	1,527,995	18,670	1,546,665
Currency translation gains/(losses)	6,187	(31,258)	(25,071)	(10,689)	(49,490)	(60,179)
Deferred tax on revaluation gain	-	-	-		(3,459)	(3,459)
Total other comprehensive income/(loss)	1,518,770	(25,618)	1,493,152	1,665,273	(34,279)	1,630,994
Total comprehensive income/(loss) for the period	3,677,112	1,250	3,678,362	4,184,734	72,486	4,257,220

Source: Annual Reports and half year management accounts

Based on the 31st December 2012 proforma consolidated income statement, the net earned premiums amount to K.Shs 8,099 million which would accord Britam a market share of about 9% representing rank 2 in the overall Kenyan Insurance Market.

Pro-forma impact on Britam Group financial position

As set out in the Chairman's letter, the Acquisition will among others increase the insurance market share of the Group and permeate regional expansion as a basis of growing shareholder value. To help illustrate the potential impact, the table below sets out a pro-forma balance sheet of the Company assuming that the Acquisition had been completed as at 30th June 2013 and 31 December 2012.

Table 6: Pro forma consolidated statement of financial position

Figures in Shs'000	As at 30 June 2013			As at 31 December 2012		
	BRITAM	REAL	Pro forma	BRITAM	REAL	Pro forma
CAPITAL EMPLOYED						
Share capital (Note1)	189,145	300,000	194,093	189,145	300,000	194,093
Share premium (Note 1)	3,164,455	-	3,709,727	3,164,455	-	3,709,727
Other reserves	8,094,041	43,533	8,094,041	5,745,519	(6,884)	5,745,519
Retained earnings	5,058,684	224,548	5,058,684	2,900,342	268,061	2,900,342
Non-controlling interest	-	55,428	60,752	-	61,082	66,694
Proposed dividends	-	-	-	472,863	30,000	502,863
Shareholders' funds	16,506,325	623,509	17,117,297	12,472,324	652,259	13,119,238
REPRESENTED BY:						
Assets						
Property and equipment	1,037,582	103,831	1,141,413	948,236	101,877	1,050,113
Intangible assets	132,219	1,795	134,014	113,817	566	114,383
Goodwill (Note 3)	-	-	812,793	-	-	819,985
Investment in associate	1,529,667	-	1,529,667	1,459,826	-	1,459,826
Investment property	1,904,185	-	1,904,185	1,706,057	-	1,706,057
Available for sale quoted investments	4,618,125	-	4,618,125	4,937,397	-	4,937,397
Financial assets at fair value through profit or loss	16,814,156	112,631	16,926,787	12,407,800	108,172	12,515,972
Financial assets held to maturity	7,997,436	232,311	8,229,747	7,194,138	261,789	7,455,927
Loans	1,220,893	-	1,220,893	1,121,477	-	1,121,477
Receivables	3,941,286	2,517,330	6,458,616	3,366,903	2,221,703	5,588,606
Deferred acquisition costs	136,962	192,763	329,725	131,274	154,761	286,035
Deferred income tax	4,198	39,744	43,942	4,198	27,984	32,182
Tax recoverable	193,230	44,246	237,476	32,240	5,502	37,742

Figures in Shs'000	As at 30 June 2013			As at 31 December 2012		
	BRITAM	REAL	Pro forma	BRITAM	REAL	Pro forma
Receivables from related parties	16,469	588,669	46,538	5,075	558,600	5,075
Deposits with financial institutions	3,144,406	653,729	3,798,135	1,975,913	539,363	2,515,276
Cash and bank balances	282,681	114,128	130,079	415,814	180,179	329,263
Total assets	42,973,495	4,601,177	47,562,135	35,820,165	4,160,496	39,975,316
Liabilities						
Payables	26,047,652	3,938,169	29,985,821	23,212,148	3,465,812	26,677,960
Retirement benefit liability	14,080	-	14,080	14,080	-	14,080
Bank loan	-	2,954	2,954	-	3,471	3,471
Overdraft	162,318	-	162,318	46,810	-	46,810
Deferred tax liability	-	279	279	-	6,634	6,634
Current income tax payable	104,675	35,966	140,641	74,803	25,585	100,388
Dividend payable	138,445	300	138,745	-	6,735	6,735
Total liabilities	26,467,170	3,977,668	30,444,838	23,347,841	3,508,237	26,856,078
Net assets	16,506,325	623,509	17,117,297	12,472,324	652,259	13,119,238

Source: Annual Reports and half year management accounts and Pacifis Analysis

Table 7: Note 1 - Proforma Share Capital and Share Premium as at 30 June 2013 calculation

Narration (All figures in Kshs)	Amount	Add: At 30 th June 2013	Proforma Position
Share Consideration	550,220,200		
Allocation:			
Share Capital (49,435,777 ordinary shares of K.Shs 10Cts each)	4,943,578	189,145,000	194,088,578
Share Premium (49,435,777 ordinary shares at K.Shs 11/03 each)	545,276,622	3,164,455,000	3,709,731,622

Table 8: Note 2: Goodwill calculation

Narration	Unit	Amount
Agreed purchase consideration	Kshs'000	1,375,551
Net assets of Real as at 30 June 2013	Kshs'000	623,509
Goodwill on acquisition before Allocation	Kshs'000	752,042

Pro-forma shareholding information

The table below illustrates the pro-forma impact of the Acquisition on the Company's existing shareholders in terms of numbers of ordinary shares they hold and their respective shareholding percentages as at 9th December 2013. As can be seen, all existing shareholders suffer a maximum possible dilution of 2.67% in their shareholding percentages as a result of the Acquisition as illustrated below.

Table 9: Proforma Shareholding Information

Shareholder	Pre-Transaction Number of shares	Pre-Transaction Shareholding %	Post Transaction Number of shares	Post Transaction Shareholding %
1. British American (Kenya) Holdings Ltd	452,504,000	23.92%	452,504,000	23.28%
2. Equity Holdings Limited	405,000,000	21.41%	405,000,000	20.84%
3. Jimnah M. Mbaru	219,300,000	11.59%	219,300,000	11.28%

Shareholder	Pre-Transaction Number of shares	Pre-Transaction Shareholding %	Post Transaction Number of shares	Post Transaction Shareholding %
4. Benson I. Wairegi	100,298,400	5.30%	100,298,400	5.16%
5. Kenya Commercial Bank Nominee A/C 915	91,404,035	4.83%	91,404,035	4.70%
6. Peter K. Munga	75,000,000	3.97%	75,000,000	3.86%
7. James N. Mwangi	75,000,000	3.97%	75,000,000	3.86%
8. Co-op Bank Custody A/C 4012	60,000,000	3.17%	60,000,000	3.09%
9. Filimbi Limited	58,453,600	3.09%	58,453,600	3.01%
10. Royal Ngao Holdings Ltd	-	-	51,907,566	2.67%
11. Standard Chartered Nominees A/C 9389	16,901,500	0.89%	16,901,500	0.87%
Others	337,590,315	17.85%	337,590,315	17.37%
TOTAL	1,891,451,850	100%	1,943,359,416	100%

PART 7 – ADDITIONAL CMA DISCLOSURES AND GENERAL INFORMATION

1 Responsibility Statement

- 1.1 The Directors, whose names appear on page 4 of this Circular accept responsibility for the information contained herein. To the best of their knowledge and belief the Directors (who have taken all reasonable care to ensure that such is the case) are of the view that the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Directors are the persons responsible for the application made to the CMA pursuant to paragraph 17 of the Fourth Schedule to the POS Regulations.

2 The Company's share capital

- 2.1 As at the date of this Circular, the authorised share capital of the Company is K.Shs 215,000,000/= divided into 2,150,000,000 ordinary shares of K.Shs.10 Cts each of which 1,891,451,850 shares are issued and are fully paid or credited as fully paid and listed on the Nairobi Securities Exchange. The authorised and issued share capital of the Company is not divided into different classes of shares and all of the ordinary shares carry equal rights as to dividend, voting, ratable distribution in times of liquidation and other matters.
- 2.2 The Articles of Association describe all of the rights attached to the ordinary shares with respect to such matters as voting, dividends, liquidation proceeds and other matters. A copy of the Articles of Association are available for inspection as noted in paragraph 6 below.
- 2.3 The New Shares when issued shall rank *pari passu* with the existing ordinary shares (save that they will not qualify for the dividend to be declared for the financial year 2013 including the duration elapsed from 1st January 2014 up to the date of Completion), and shall have a par value of K.Shs. 10 Cts each and shall, upon issue, be credited as fully-paid up. Upon Completion of the Transaction the Vendor or its Assignees will receive their share certificates initially in certificate form but these shall, subsequently be dematerialised upon Admission of the New Shares on the Official List of the NSE.
- 2.4 The New Shares to be allotted shall not exceed 51,907,566, and not more than this number shall be Admitted into the Official List of the NSE on or around 10th April 2014. The final actual number of New Shares to be allotted to the Vendor or its Assignees, and which shall qualify for Admission into the Official List of the NSE shall be announced by the Company within 24 hours of Completion.
- 2.5 At a meeting of the Board held on 19th December 2013, the Board resolved pursuant to Articles 65 and 66 of the Articles of Association of the Company, to convene the EGM to consider: (i) the approval of the Transaction including the allotment of up to 51,907,566 New Shares with an understanding that this is the maximum number of shares that might be allotted to the Vendor or its Assignees but the actual number to be allotted shall be based on the Final Strike Price determined at Completion; and (ii) authorisation to issue the New Shares to the Vendors or their Assignees without first offering them to existing shareholders including waiver of any right that maybe inferred by the existing shareholders.
- 2.6 Assuming that the highest number of New Shares is allotted to the Vendor the tenth largest shareholder at the moment (9th December 2013) will move to the eleventh (11th) position and the Vendor will be the tenth (10th) largest shareholder as shown in the table below. Thus the New Shares will not affect the composition of the nine largest shareholders of the Company.

Table 10: Proforma Shareholding Information

Shareholder	Pre-Transaction Number of shares	Pre-Transaction Share-holding %	Post Transaction Number of shares	Post Transaction Share-holding %
1. British American (Kenya) Holdings Ltd	452,504,000	23.92%	452,504,000	23.28%
2. Equity Holdings Limited	405,000,000	21.41%	405,000,000	20.84%
3. Jimnah M. Mbaru	219,300,000	11.59%	219,300,000	11.28%
4. Benson I. Wairegi	100,298,400	5.30%	100,298,400	5.16%
5. Kenya Commercial Bank Nominee A/C 915	91,404,035	4.83%	91,404,035	4.70%
6. Peter K. Munga	75,000,000	3.97%	75,000,000	3.86%
7. James N. Mwangi	75,000,000	3.97%	75,000,000	3.86%
8. Co-op Bank Custody A/C 4012	60,000,000	3.17%	60,000,000	3.09%
9. Filimbi Limited	58,453,600	3.09%	58,453,600	3.01%
10. Royal Ngao Holdings Ltd	-	-	51,907,566	2.67%
11. Standard Chartered Nominees A/C 9389	16,901,500	0.89%	16,901,500	0.87%
Others	337,590,315	17.85%	337,590,315	17.37%
TOTAL	1,891,451,850	100%	1,943,359,416	100%

The ten largest shareholders pre-completion constitute 82.15% of the entire issued Capital, while post Completion the ten largest shareholders will constitute 81.76% (assuming allotment of the higher number of New Shares) of the issued share capital of the Company, while the eleven largest shareholders will 82.63% of the issued share capital. Assuming an allotment of the lower number of New Shares, then the ten largest shareholders will constitute 82.01% of the issued capital of the Company.

The total number of shareholders as at 9th December 2013 was **25,580**.

- 2.7 As at the date of this Circular the Vendor and its shareholders did not have any holdings in ordinary shares of the Company.

3 Director's Interests

- 3.1 As at 9th December 2013 (date of signing the Agreement) and before the allotment of the New Shares, the following Directors had direct and indirect beneficial equity interests in the ordinary shares as follows:

Director	Number of shares	Shareholding %
British American (K) Holdings Ltd (<i>Note 1</i>)	452,504,000	23.92%
Equity Holdings Ltd	405,000,000	21.41%
Jimnah Mwangi Mbaru	219,300,000	11.59%
Benson Irungu Wairegi	100,298,400	5.30%
Peter Kahara Munga (<i>Note 2</i>)	75,000,000	3.97%
James N. Mwangi (<i>Note 3</i>)	75,000,000	3.97%
Filimbi Limited	58,453,600	3.09%

Note 1: British-American (Kenya) Holdings Limited, is owned by Dawood A. Rawat 85.2% a Director of the Company and Joe L. McClaugherty 14.2% a Trustee of Mr Dawood A. Rawat. Therefore Dawood A. Rawat at present indirectly owns 23.92% of the British-American Investments Company (Kenya) Limited.

Note 2: Equity Holdings Limited which holds 21.41% shares in the Company, is wholly owned by Peter Kahara Munga (55.6%) and Jane Wanjiru Michuki (44.4%). Further Filimbi Limited which owns 3.09% shareholding in the Company is owned 50% by Mr Peter Munga and 50% by Mrs Jane Wangui Njuguna. Therefore Mr Peter Kahara Munga owns 11.9% of the Company through Equity Holdings Ltd, 1.55% through Filimbi Ltd and 3.97% directly. In aggregate he therefore holds 17.42% of the Company.

Note 3: Filimbi Limited which owns 3.09% shareholding in the Company is owned 50% by Mr Peter Munga and 50% by Mrs Jane Wangui Njuguna. Therefore Mr James N. Mwangi owns 1.55% shareholding in the Company through Filimbi Ltd and 3.97% shareholding in the Company directly. In aggregate therefore, he holds 5.52% of the Company.

- 3.2 At the date of this Circular there were no existing contracts between any of the Directors and the Company, other than employment contracts for those Directors who are employees of the Company or Group in the ordinary course of business as well as contracts for insurance and financing products issued by the Company in ordinary course of business.
- 3.3 No options to purchase any securities of the Company have been granted to or exercised by any Director of the Company.
- 3.4 None of the Directors has or has had any direct or indirect beneficial interest in any property acquired by the Company during the two years preceding the date of this Circular.
- 3.5 Except as disclosed in this Circular, no officer, director or major shareholder of the Company (nor a related company) has any direct or indirect interest in the shares or business of REAL.

4 Consents

Pacifis Advisory Ltd (Transaction Advisor), PricewaterhouseCoopers (Auditors), Dyer and Blair Investment Bank Ltd (Sponsoring Broker) and Daly & Figgis (Legal Advisor) have given and not

withdrawn their respective consents to the issue of this Circular with the inclusion herein of their reports and names and the references thereto, in the form and context in which they appear respectively.

5 Compliance and Disclosure - The Capital Markets Act

- 5.1 Part 3 of this Circular contains a brief description of the business, directors and management and historical financial information of REAL. The disclosures therein provide useful information on REAL which can inform the reasonableness of the Purchase Consideration payable.
- 5.2 The Share Purchase Agreement dated 9th December 2013 between the Company and the Vendor put the Purchase Consideration for 99% shareholding in the Company at K.Shs 1,375,550,500/= to be satisfied 60% (Kshs 825,330,300/=) in cash and 40% (Kshs 550,220,200/=) in New Shares in the Company. Further, under the Agreement the Vendors undertook to redeem their indebtedness to the Company also provided representations, warranties and indemnities in respect of the business, assets and liabilities of REAL. Full details of such undertakings are contained in Agreement whose copy is available for inspection (*refer to Section 6 below of Part 7 of this Circular "Documents Available for Inspection"*).
- 5.3 The Listing Fee payable on the New Shares is K.Shs.500,000/=-, while the other costs for the Issue are as follows:

Cost Category	Amount Kshs
1. Capital Markets Authority Fee	825,330
2. Lead Transaction Advisory Costs	16,609,000
3. Financial Advisory Costs	24,072,000
4. Sponsoring Broker Costs	4,869,449
5. Legal Advisory Costs	14,588,635
TOTAL	60,964,414

- 5.4 In accordance with the disclosure requirements under paragraph 28(a) of The Fourth Schedule to the Public Offer Regulations, the Board hereby declares that the annual financial statements of the Company for the year ended 31st December 2012 have been audited and received an unqualified opinion. Extracts from these audited financial statements are included in Appendix 1.
- 5.5 PricewaterhouseCoopers, the auditors of the Company, have issued a statement, in respect of the periods audited by them, under paragraph 28(b) of The Fourth Schedule to the POS Regulations which requires the auditor to consider whether all circumstances regarding the issue of the New Shares known to them which could influence the evaluation by investors of the assets, liabilities, financial position, results and prospects of the Company are included in the Circular.
- 5.6 The disclosures contained in Part 2 and Part 4 of this Circular provides information on the analogy used is assessing the reasonableness of the agreed Purchase Consideration for 99% share capital of REAL.
- 5.7 As at the date of issuance of the valuation report and conclusion of the Price discussions, none of the Advisors namely; Pacifis Advisory Limited the firm that carried out the Valuation and Transaction Advisory work, PricewaterhouseCoopers the firm that carried out the Financial Due Diligence, Daly & Figgis the firm that was in charge of the Legal Due Diligence including their directors and employees, had any material relationship with the Company other than the specified Advisory Contracts.
- 5.8 Save as disclosed herein there are no related party transactions.

6 Documents Available for Inspection

Copies of the documents available for inspection by shareholders are listed here below. These documents will be made available free of charge to the Shareholders of the Company, at the Company's offices at Britam Centre, 8th Floor, Junction Mara/Ragati Road, P.O. Box 30375-00100 Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays and bank holidays in Kenya) from the date hereof until 7th February 2014:

- the Company's audited financial statements for the three financial years ended 31st December 2012
- Resolution of the Board Meeting of 19th December 2013
- Company's declaration under POS
- the Prospectus for the Company's initial public offer
- the Company's Memorandum and Articles of Association
- the approval of the Insurance Regulatory Authority relating to the Acquisition (if available)]
- the sale and purchase agreement between the Vendors and the Company dated 9th December 2013
- the valuation report prepared by Pacifis Advisory Limited
- the statement issued by the Company's auditors as required by regulation 28(b) of the Fourth Schedule of the POS Regulations
- the approval of the CMA relating to this Circular
- Audited Financial Statements of REAL Group FY 2012, 2011 and 2010.



British-American Investments Company (Kenya) Limited

(Incorporated in Kenya on 26 July 1995 under the Companies Act (CAP.486))

Registration Number C.5/2012

CIRCULAR TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an **EXTRAORDINARY GENERAL MEETING** of the Company will be held at 10.00 a.m. on **Wednesday, 19th February 2014** in the **Tsavo Hall at the Kenyatta International Conference Centre (KICC)**, Nairobi, Kenya for the purpose of considering and, if thought fit, passing the resolutions set out below.

SPECIAL RESOLUTIONS

1. To approve Britam's acquisition of 99% shareholding (14,850,000 ordinary shares) in Real Insurance Company Limited (the "**Transaction**") including ratification of the execution of the Share Purchase Agreement ("**SPA**") and adoption and implementation of its terms and contents;
2. To authorize issuance of between 46,963,988 and 51,907,566 New Shares ('the Consideration Shares') to the Vendors or their Assignees towards the Share Consideration, **WITHOUT** first offering them to existing shareholders on the basis there are no pre-emption rights. The actual number of New Shares to be allotted to be based on the Final Strike Price determined at Completion;
3. To allot and issue Consideration in Shares at the Final Strike Price with any variation as the Board may deem fit;
4. To approve that an Application be made to the Nairobi Securities Exchange ("**NSE**") for Admission of the Consideration Shares into the Official List of the NSE;
5. To adopt the Shareholders Circular;
6. To consider any other business for which due notice has been given.

By order of the Board

Mrs Nancy Kiruki
Company Secretary

24th January 2014

NOTES:

1. 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 or her behalf. A proxy need not be a member of the Company.

A Proxy Form may be obtained from the Company's website www.britam.co.ke, registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi, or

offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza, 5th floor, Loita Street, Nairobi.

To be valid, a form of Proxy, must be duly completed by the member and lodged with the Company Secretary at the Company's head office situated at Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi, not later than 10.00 am **Monday 17th February 2014**, failing which it be invalid. In the case of a corporate body, the proxy must be under its common seal.

2. A copy of the Shareholders Circular may be viewed at the Company's website at www.britam.co.ke or a printed copy may be obtained from the registered Office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi or offices of the Company's shares registrar (Image Registrars Limited), Barclays Plaza, 5th Floor, Loita Street, Nairobi.

British-American Investments Company (Kenya) Limited

EXTRAORDINARY GENERAL MEETING - WEDNESDAY, 19TH FEBRUARY 2014

PROXY FORM

I/We _____

CDS A/C No _____ of P.O. BOX _____

being a member(s) of **British-American Investments Company (Kenya) Limited**, hereby appoint

_____ of (address) _____

_____, or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Extraordinary General Meeting of the Company to be held on Wednesday, 19th February 2014 at 10.00 a.m., in the **Tsavo Hall at the Kenyatta International Conference Centre (KICC)**, or at any adjournment thereof.

As witness to my/our hands this _____ day of _____ 2014

Signature(s) _____

Notes:

1. This proxy form is to be delivered to the Company Secretary at the Company's offices at Britam Centre, 8th Floor, Junction Mara/Ragati Road, P.O. Box 30375-00100 Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays and bank holidays in Kenya) from the date hereof until 10.00 am Monday, 17th February 2014, failing which it will be invalid.
2. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

----- CUT ALONG DOTTED LINE -----

ADMISSION CARD

APPENDIX 1 – SUMMARY FINANCIAL INFORMATION ON BRITAM

The following are extracts of the Consolidated historical financial statements of the Company for the five years ended 31 December 2009 up to 31 December 2012 (audited) and the six months to 30 June 2013 (un-audited).

Summarised Consolidated Income Statements

Table 11: BRITAM Income Statement

Figures in Shs'000	30-Jun-13	31-Dec-12	30-Jun-12	31-Dec-11	31-Dec-10	31-Dec-09
Revenue						
Gross earned premiums	4,402,259	6,849,692	3,349,667	5,607,621	4,333,428	3,782,606
Less: reinsurance premium ceded	(577,578)	(893,001)	(452,149)	(670,914)	(674,672)	(504,552)
Net earned premium	3,824,681	5,956,691	2,897,518	4,936,707	3,658,756	3,278,054
Fund management fees	267,164	377,208	159,035	238,315	195,852	118,404
Investment income	1,060,872	1,971,016	1,756,900	1,296,171	4,684,635	196,169
Net realised gains/(losses) on financial assets	333,778	45,554	2,061	(83,306)	-	-
Net fair value gains/(losses) on financial assets at fair value through profit and loss	2,349,941	3,032,092	833,837	(3,306,063)	-	-
Commissions earned	137,586	307,639	109,193	237,900	209,514	176,739
Other income	12,223	53,184	13,593	62,960	220,439	32,135
Total Revenue	7,986,245	11,743,384	5,772,137	3,382,684	8,969,196	3,801,501
Expenses						
Insurance claims and loss adjustment expenses	1,731,578	4,282,914	3,010,185	2,311,879	4,084,670	2,134,171
Less: amount recoverable from reinsurers	(144,266)	(1,803,019)	(1,752,426)	(146,897)	(266,562)	(160,676)
Change in actuarial value of policyholder benefits	909,868	1,189,436	556,344	834,034	-	-
Net insurance benefits and claims	2,497,180	3,669,331	1,814,103	2,999,016	-	-
Interest payments/increase (decrease) in unit value	1,178,365	1,608,828	541,997	(765,689)	-	-
Operating and other expenses	1,229,229	2,286,578	985,489	1,760,544	1,316,822	1,222,876
Commissions payable	887,553	1,476,086	660,503	1,192,335	960,677	939,464
Total Expenses	5,792,327	9,040,823	4,002,092	5,186,206	6,095,607	4,135,835
Profit/(loss) before share of the associate	2,193,918	2,702,561	1,770,045	(1,803,522)	2,873,589	(334,334)
Share of profit of the associate	86,408	146,845	53,094	79,436	-	-
Profit/(loss) before tax	2,280,326	2,849,406	1,823,139	(1,724,086)	2,873,589	(334,334)
Income tax expense	(121,984)	(329,945)	(143,866)	(233,219)	(159,805)	(86,789)
Profit/(loss)	2,158,342	2,519,461	1,679,273	(1,957,305)	2,713,784	(421,123)
Other comprehensive income items net of tax:						
Gains on revaluation of land and buildings	-	147,967	-	24,915	13,533	32,755
Gains/(losses) on revaluation of available-for-sale financial assets	1,512,583	1,527,995	1,123,217	(2,245,832)	2,755,565	(731,999)
Currency translation losses	6,187	(10,689)	(4,531)	(8,159)	-	-

Total other comprehensive income/(loss)	1,518,770	1,665,273	1,118,686	(2,229,076)	2,769,098	(699,244)
Total comprehensive income/(loss) for the year	3,677,112	4,184,734	2,797,959	(4,186,381)	5,482,882	(1,120,367)

Source: Annual Reports and six months management accounts

The Group recorded a profit before tax of Shs 2.3 billion for the six months ending 30 June 2013. This represents a 25% growth in profits from Shs 1.8 billion realised in the first half of the previous year.

Revenue generated from the Group's core business streams (gross earned premiums and fund management fees), in the six months amounted to Shs 4.7 billion up from Shs 3.5 billion for a similar period in 2012, representing a growth of 33%. On annualised basis, this core revenue is expected to increase by 29% in 2012-2013, compared to 24% increase booked in FY2012/FY2011. Furthermore on annualised basis, the FY2009-2013 CAGR for the Group's core business stream revenue calculates at 24% compared to the FY2009-2012 CAGR of 23%.

Summarised Consolidated Balance Sheets

Table 12: BRITAM Statement of financial position

	30-Jun-13	31-Dec-12	30-Jun-12	31-Dec-11	31-Dec-10	31-Dec-09
CAPITAL EMPLOYED	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Share capital	189,145	189,145	189,145	189,145	150,000	150,000
Share premium	3,164,455	3,164,455	3,164,455	3,164,455	-	-
Other reserves	8,094,041	5,745,519	4,649,890	3,531,204	6,127,936	3,207,206
Retained earnings	5,058,684	2,900,342	3,082,059	1,388,926	4,092,044	1,729,892
Proposed dividends	-	472,863	-	283,718	200,000	120,000
Shareholders' funds	16,506,325	12,472,324	11,085,549	8,557,448	10,569,980	5,207,098
REPRESENTED BY:						
Assets						
Property and equipment	1,037,582	948,236	667,424	653,360	581,420	520,933
Intangible assets	132,219	113,817	120,606	114,830	91,878	78,098
Investment in associate	1,529,667	1,459,826	1,433,582	1,360,608		
Investment property	1,904,185	1,706,057	1,415,740	1,405,294	1,173,571	1,092,785
Available for sale quoted investments	4,618,125	4,937,397	4,896,617	3,409,402	5,979,690	3,282,105
Financial assets at fair value through profit or loss	16,814,156	12,407,800	9,823,708	8,927,209	12,213,323	7,254,406
Financial assets held to maturity	7,997,436	7,194,138	6,518,970	4,657,782	2,414,931	1,861,391
Mortgage and Policy holder loans	1,220,893	1,121,477	1,045,235	926,201	879,882	1,017,666
Receivables	3,941,286	3,366,903	3,038,805	1,185,106	1,023,798	686,295
Deferred acquisition costs	136,962	131,274	118,395	97,049	73,461	52,941
Deferred income tax	4,198	4,198	3,981	3,982	11,789	22,662
Tax recoverable	193,230	32,240	3,905	-	-	13,785
Receivables from related parties	16,469	5,075	4,626	9,106	2,696	33,060
Deposits with financial institutions	3,144,406	1,975,913	2,792,042	2,463,976	500,102	206,640
Cash and bank balances	282,681	415,814	442,762	425,339	415,376	193,040

Total assets	42,973,495	35,820,165	32,326,398	25,639,244	25,361,917	16,315,807
Liabilities						
Payables	26,047,652	23,212,148	20,237,046	16,231,817	13,992,355	10,214,506
Retirement benefit liability	14,080	14,080	49,547	50,076	25,715	35,433
Bank loan	-	-	839,198	784,577	749,318	747,618
Dividend payable	138,445	-	-			60,000
Overdraft	162,318	46,810	115,058	1,154	1,360	51,152
Current income tax payable	104,675	74,803	-	14,172	23,189	-
Total liabilities	26,467,170	23,347,841	21,240,849	17,081,796	14,791,937	11,108,709
Net assets	16,506,325	12,472,324	11,085,549	8,557,448	10,569,980	5,207,098

Source: Annual Reports and six months management accounts