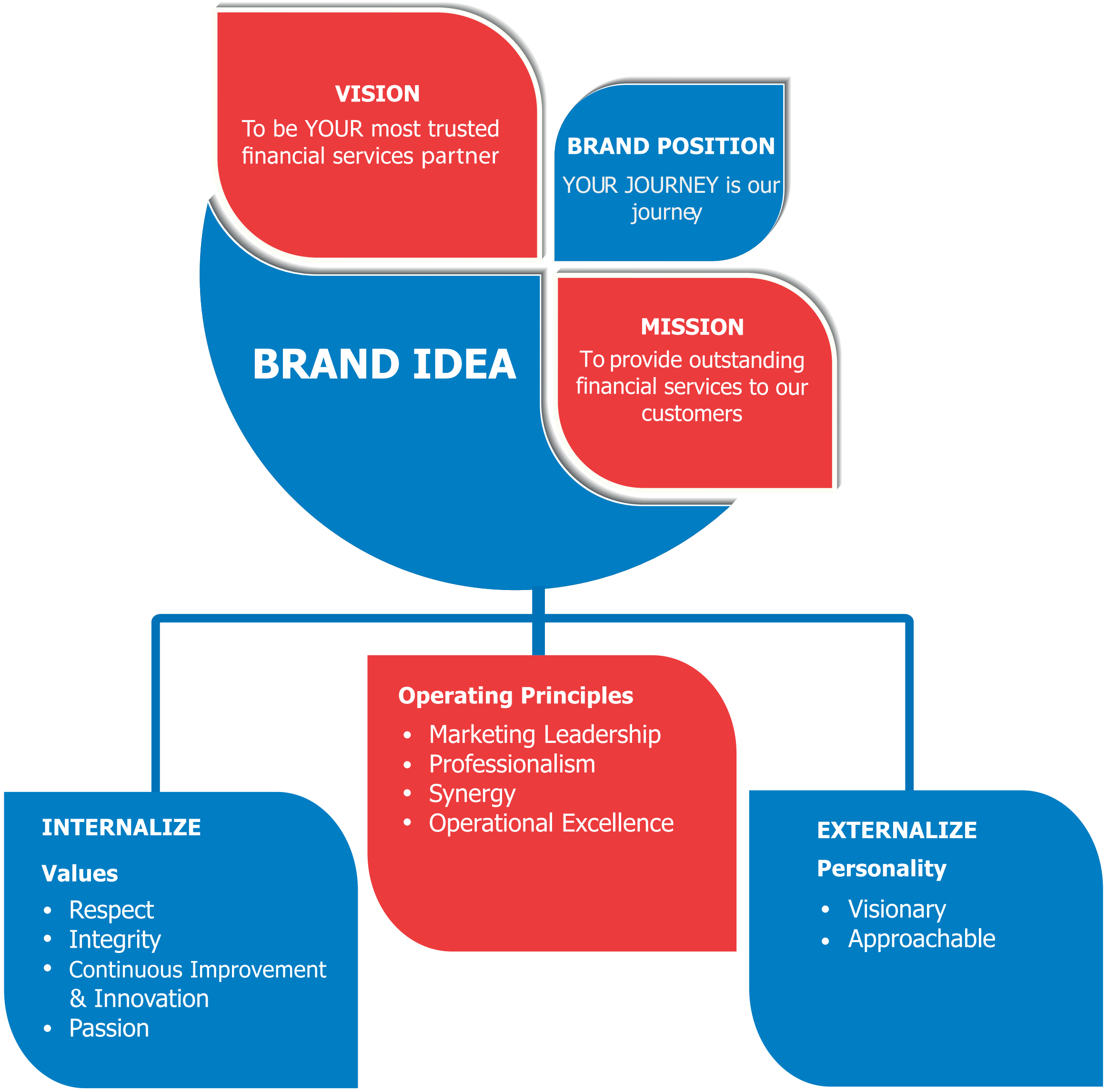


Britam
With you every step of the way

With our heritage of strength and stability, you can confidently lean on us.

Our Products
- Pensions
- Life Insurance
- Health Insurance
- General Insurance
- Unit Trusts
- Investment Planning
- Wealth Management
- Off-shore Investments
- Retirement Planning
- Discretionary Portfolio Management

Britam
With you every step of the way

CONTENTS

REGISTERED OFFICE

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED
Britam Center
Junction of Mara and Ragati Roads
Upper Hill
PO Box 30375, 00100 Nairobi
Tel: (+254) 020 2833000/2710927
Fax: (+254) 020 2717626
E-mail: baicl@britam.co.ke
Website (Group) : www.britam.co.ke

LOCAL SUBSIDIARIES

Local subsidiaries share physical and postal addresses with the Company

BRITISH-AMERICAN INSURANCE COMPANY (KENYA) LIMITED
Managing Director: Mr. Stephen O. Wandera
E-mail: insurance@britam.co.ke

BRITISH-AMERICAN ASSET MANAGERS LIMITED
Managing Director: Mr. Edwin H. Dande
E-mail: assetmanagement@britam.co.ke

BRAMER PROPERTIES LIMITED
Tel: (+254) 020 2833000/2710927
E-mail: info@britam.co.ke

REGIONAL SUBSIDIARIES

BRITAM INSURANCE COMPANY (UGANDA) LIMITED
Course View Towers,1st Floor
Plot 21 Yusuf Lule Road
Kampala Uganda
CEO / Principal Officer: Mr. Allan Mafabi
Tel: (+256) 417 702600
Email: britam@britam.co.ug

BRITAM INSURANCE COMPANY LIMITED (SOUTH SUDAN)
The Britam Place,
Hai Malakal
Juba, South Sudan
GM/Principal Officer: Mr. John Githinji
Tel: (+211) 956444457/8
Email: britamss@britamsouthsudan.com

BRITAM INSURANCE COMPANY (RWANDA) LIMITED
Union Trade Center, 5th Floor
P.O Box 913, Kigali, Rwanda
GM/Principal Officer: Mr. Reuben Kibiru
Tel: (+250) 252 579 031/2/3
Email: britam@britam.rw.

INTERNATIONAL RELATED PARTIES

BRITISH-AMERICAN INVESTMENT CO. (MTIUS) LIMITED
BA Executive Suites
217, Royal Road, Curepipe
MAURITIUS
Chief Operating Officer: Mr Seemadree Rajanah
Tel: (+230) 602 3000
Fax: (+230) 674 2482
E-mail: info@bainvestment.intnet.mu

BAI CO. (MTIUS) LIMITED
British American Center
217, Royal Road, Curepipe
MAURITIUS
President & Chief Executive Officer:
Mr. Rishi Sookdawoor
Tel: (+230) 602 3000
Fax: (+230) 670 3384
E-mail: bai@intnet.mu

GLOBALCAPITAL LIFE INSURANCE LIMITED
Testaferrata Street
Ta' Xbiex
XBX 1403
MALTA
Chief Executive Officer: Mr. Bashar Khatib
Tel: (+356) 21 342 342
Fax: (+356) 21 333 100
E-mail: Info@globalcapital.com.mt

LOCALLY RELATED PARTIES

HOUSING FINANCE
Rehani House
Kenyatta Avenue/Koinange Street
Nairobi Kenya
Tel: (+254) 020 317474, 2221101
Email: info@housingfinance.co.ke

ACORN GROUP LIMITED
Acorn House
James Gichuru Road, Nairobi Kenya
Tel: (+254) 020 2592671/2, 2632717
Email: info@acorngroupafrica.com

EQUITY BANK OF KENYA LIMITED
Equity Centre
Upper Hill - Hospital Road
Nairobi Kenya
Tel: (+254) 020 2262000,
Email: info@equitybank.co.ke

SHARE REGISTRAR
Image Registrars Limited
Barclays Plaza, 5th Floor
Loita Street
P.O Box 9287-00100, Nairobi
Tel: (+254) 020 2230330
Email: info@image.co.ke

SECRETARY
Nancy K. Kiruki
Britam Center
P.O. Box 30375, 00100
Nairobi

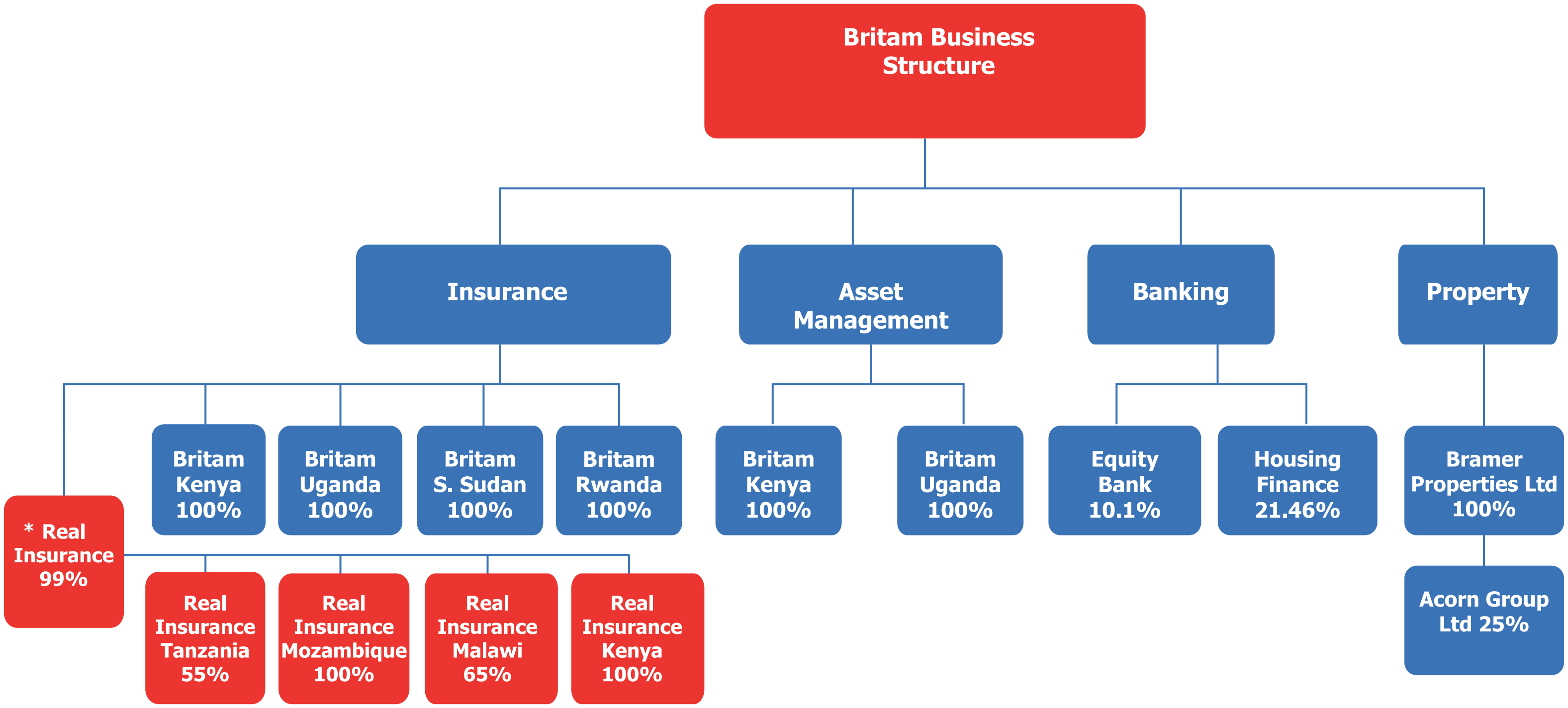
LEGAL ADVISORS
Kaplan & Stratton, Advocates
Daly & Figgis, Advocates
Walker Kontos, Advocates
Katende, Ssempebwa & Company Advocates
Coulson Harney

AUDITOR
PricewaterhouseCoopers
PwC Tower, Waiyaki Way/Chiromo Road, Westlands
Nairobi, Kenya
Tel: (+254) 20 285 5000
Fax: (+254) 20 285 5001
pwc.kenya@ke.pwc.com

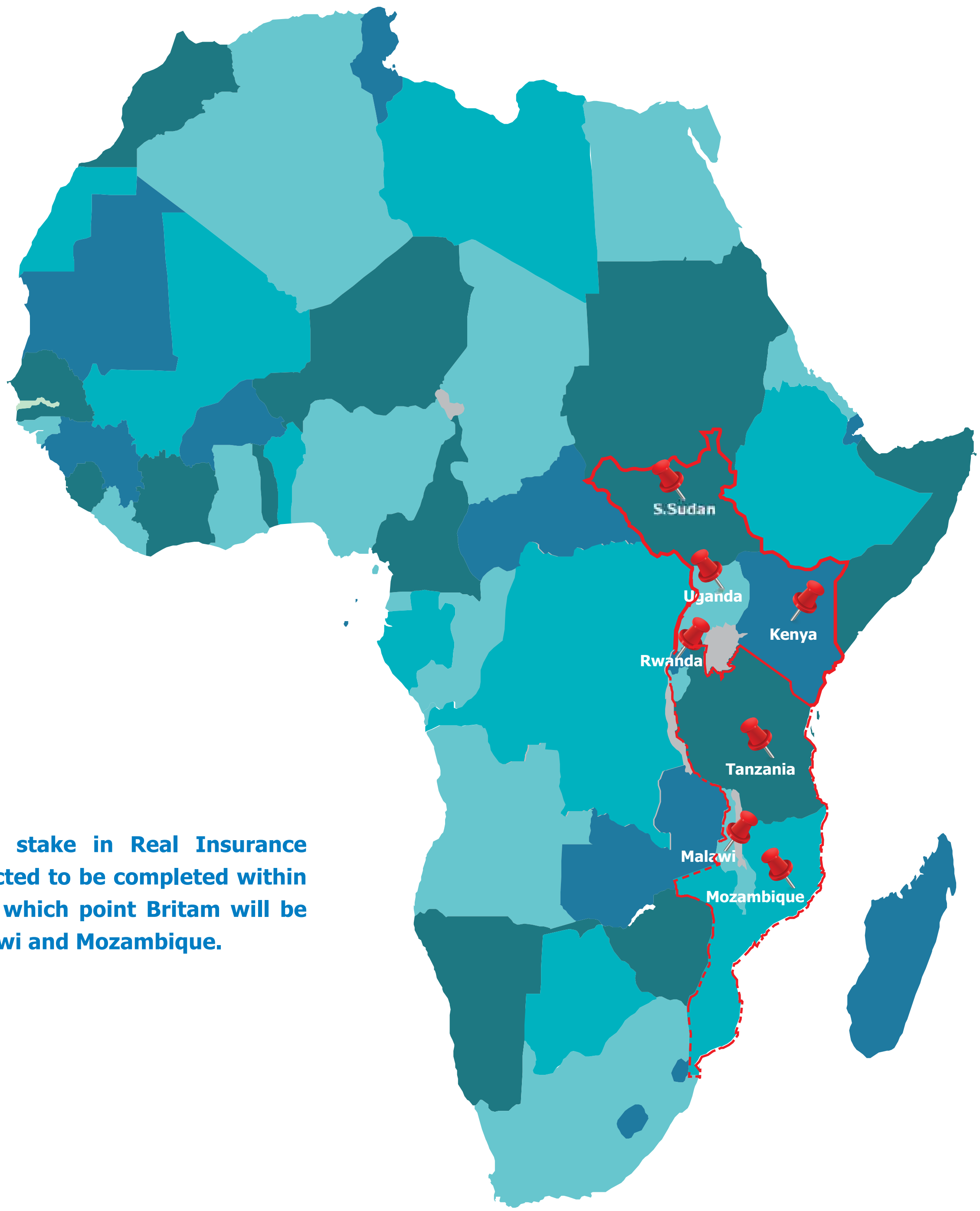
ACTUARIAL SERVICES
Aon Hewitt/QED Actuaries and Consultants (Pty) limited
Sandton, South Africa

Triangle Actuarial Services
Wake Forest
North Carolina, USA

BANKERS
Commercial Bank of Africa Ltd
Equity Bank Ltd
Barclays Bank of Kenya Ltd
Citibank
Kenya Commercial Bank Ltd
National Bank of Kenya Ltd
Standard Chartered Bank
Co-operative Bank of Kenya



* The acquisition of 99% stake in Real Insurance Company Limited is expected to be completed within the first half of 2014



The acquisition of 99% stake in Real Insurance Company Limited is expected to be completed within the first half of 2014, at which point Britam will be present in Tanzania, Malawi and Mozambique.

Amb. Dr. Francis K. Muthaura

Dawood A. Rawat

Benson I. Wairegi

Peter K. Munga

Jimnah M. Mbaru

Tarun Ghulati

Dr. James N. Mwangi

Bocar E. Dia

Agnes N. Odhiambo

Moussa Rawat

Nduva Muli

Benson I. Wairegi
Group Managing Director

Stephen O. Wandera
Regional Director - Insurance

Edwin H. Dande
Managing Director - Asset Management

John K. Githinji
GM/Principal Officer
Britam South Sudan

Reuben W. Kibiru
GM/ Principal Officer
Britam Rwanda

Allan Mafabi
CEO/Principal Officer
Britam Uganda

Benson I. Wairegi
Group Managing Director

Gladys M. Karuri
Group Finance & Strategy Director

Muthoga Ngera
Director, Marketing & Corporate Affairs

Nancy K. Kiruki
Director, Legal & Human Resources and Company Secretary

Jack W. Maina
Group Chief Information Officer

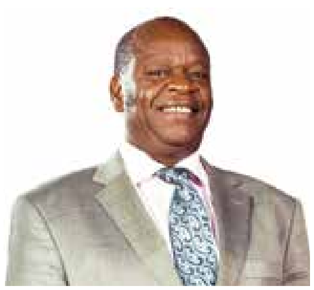
Steve Magati
Group Internal Audit Manager

Carol Misiko
Group Risk & Compliance Manager

Benson Kamau
Group Business Planning & Analysis Manager

Paul K. Gacheru
Group Chief Accountant

Jacqueline Nyaguthii
Property Manager



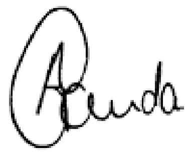
Arthur M. Chege
Group IT Manager (Enterprise Support)


THE ROAD AHEAD.
[PROMISING]
Our promise is to provide outstanding financial services to our customers and be with them every step of the way.

NOTICE IS HEREBY GIVEN THAT THE 18th ANNUAL GENERAL MEETING of the Company will be held at Safari Park Hotel, Nairobi on Friday, 20th June 2014 at 10.00 a.m. to transact 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 receive, consider and if approved, adopt the consolidated audited financial statements for the year ended 31st December 2013, together with the Chairman's, Directors' and Auditors' reports thereon;
4. To approve the payment of a final dividend for the year ended 31st December 2013 of Kshs. 0.25 per ordinary share of Kshs. 0.10 each, subject to withholding tax where applicable, in respect of the financial year ended 31st December 2013 to shareholders on the register of members at the close of business as at 2nd May 2014;
5. To elect Directors:
   i) Mr. Jimnah M. Mbaru retires by rotation in accordance with Articles 92 and 93 of the Company's Articles of Association and being eligible, offers himself for re-election as a director;
   ii) Mr. Peter K. Munga retires by rotation in accordance with Articles 92 and 93 of the Company's Articles of Association, and having attained the age of 70 years on 5th May 2013 further retires in terms of section 186(2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, by virtue of special notice given under section 186(5), offers himself for re-election as a director;
   iii) Mr. Bocar E. Dia retires by rotation in accordance with Articles 92 and 93 of the Company's Articles of Association and being eligible, does not offer himself for re-election as a director;
   iv) Amb. Dr. Francis K. Muthaura having been appointed to fill a casual vacancy in accordance with Article 115 of the Company's Articles of Association is retiring and being eligible, offers himself for re-election as a director.
   v) Mr. Dawood A. Rawat having been appointed to fill a casual vacancy in accordance with Article 115 of the Company's Articles of Association is retiring and being eligible, offers himself for re-election as a director.
   vi) Mr. Moussa I. Rawat having been appointed to fill a casual vacancy in accordance with Article 115 of the Company's Articles of Association is retiring and being eligible, offers himself for re-election as a director.
6. To approve the remuneration of the Directors for the year ended 31st December 2013;
7. To note that the auditors, Messrs PricewaterhouseCoopers, being eligible and having expressed their willingness, will continue in office in accordance with Section 159 of the Companies Act (Cap 486) and to authorise the directors to fix their remuneration;
8. To consider any other business for which due notice has been given.

By order of the Board



Nancy K. Kiruki
Company Secretary
P.O. Box 30375 00100
NAIROBI
23 May 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 or the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than 10.00 a.m. Wednesday 18th June 2014, failing which it be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in pdf format. In the case of a corporate body, the proxy must be under its common seal;

2. In accordance with Article 151 of the Articles of Association of the Company, a copy of the entire Annual Report & Accounts 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; and

3. Transport shall be provided to shareholders from Kencom bus stop to the Safari Park Hotel from 7.30 a.m. to 9.00 a.m. on 20th June 2014.

ILANI INATOLEWA HAPA YA MKUTANO WA 18 MKUU WA MWAKA wa Kampuni utakaofanyika katika mkahawa wa Safari Park Hotel, Nairobi mnamo Ijumaa, tarehe 20 Juni 2014 kuanzia saa nne asubuhi kuangazia maswala yafuatayo:

1. Kutazama orodha ya wawakilishi na kutambua kama akidi imekamilika;
2. Kusoma notisi ya kuitisha mkutano;
3. Kupokea, kuangazia na endapo itaidhinishwa, kupitisha taarifa ya matumizi ya pesa ya mwaka uliomalizika tarehe 31 Disemba 2013, pamoja na taarifa ya Mwenyekiti, Wakurugenzi na ya wakaguzi wa hesabu;
4. Kuidhinisha malipo ya mgao wa mwisho ya mwaka uliomalizika tarehe 31 Disemba 2013 wa Shilingi 0.25 kwa kila hisa ya kawaida ya Shilingi 0.10 kila moja, kukiwa na malipo ya kodi ya withholding tax pale inapotumika, hii ikitekelezwa kwa mwaka wa kifedha uliomalizika tarehe 31 Disemba 2013 kwa wamiliki hisa ambao wako katika rejista ya wanachama wakati wa kufunga biashara ifikapo tarehe 2 Mei 2014;
5. Kuchagua wakurugenzi:
   i) Bw. Jimnah M. Mbaru anastaafu kwa zamu kwa mujibu wa vifungu 92 na 93 vya Ibara za Mikataba ya Makampuni na kwa kuwa anastahili, anajitolea kuchaguliwa tena kama mkurugenzi;
   ii) Bw. Peter K. Munga anastaafu kwa zamu kwa mujibu wa vifungu 92 na 93 vya Ibara za Mikataba ya Makampuni, na kwa kuwa anatimiza umri wa miaka 70 ifikapo tarehe 5 Mei 2013 pia anastaafu kwa mujibu wa kifungu 186 (2) vya Ibara ya Makampuni (Kifungu 486 cha Sheria za Kenya) na kwa vile anastahili, kwa mujibu wa notisi iliyotolewa chini ya kifungu 186 (5), anajitolea kuchaguliwa tena kama mkurugenzi;
   iii) Bw. Bocar E. Dia anastaafu kwa zamu kwa mujibu wa vifungu 92 na 93 vya Ibara za Mikataba ya Makampuni, na japo anastahili, hajitolei kuchaguliwa tena kama mkurugenzi;
   iv) Balozi Dr. Francis K. Muthaura baada ya kuchaguliwa kujaza nafasi iliyokuwepo kwa mujibu wa kipengee 115 ya Ibara za Mikataba ya Makampuni anastaafu na kwa vile anastaafu, anajitolea kuchaguliwa tena kama mkurugenzi;
   v) Bw. Dawood A. Rawat baada ya kuchaguliwa kujaza nafasi iliyokuwepo kwa mujibu wa kipengee 115 cha Ibara za Mikataba ya Makampuni anastaafu na kwa vile anastaafu, anajitolea kuchaguliwa tena kama mkurugenzi;
   vi) Bw. Moussa I. Rawat baada ya kuchaguliwa kujaza nafasi iliyokuwepo kwa mujibu wa kipengee 115 ya Ibara za Mikataba ya Makampuni anastaafu na kwa vile anastaafu, anajitolea kuchaguliwa tena kama mkurugenzi;
6. Kuidhinisha malipo ya Wakurugenzi ya mwaka unaomalizika tarehe 31 Disemba 2013;
7. Kutambua ya kwamba wakaguzi wa hesabu PricewaterhouseCoopers, kwa kuwa wanastahili na kwa vile wameonyesha hiari yao ya kuendelea, watashikilia jukumu hilo kwa mujibu wa kifungu 159 cha Ibara za Makampuni (Kifungu 486) na kuidhinisha wakurugenzi kuamua malipo yao;
8. Kutekeleza shughuli nyingine zozote ambazo zimepokewa na kutangazwa kimbele.

Kwa Amri ya Halmashauri

Nancy K. Kiruki
Katibu wa Kampuni
S.L.P 30375 – 00100
NAIROBI
23 Mei 2014

MAELEZO:

1. Mwanachama anayestahili kuhudhuria na kupiga kura katika mkutano huu na ambaye hawezi kufika, anaruhusiwa kuchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Sio lazima mwakilishi awe ni mwanachama wa Kampuni.

   Fomu ya uwakilishi inapatikana katika tovuti ya Kampuni www.britam.co.ke, ofisi iliyosajiliwa rasmi ya Kampuni, Britam Centre, Barabara za Mara/Ragati, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi, au ofisi za msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Ghorofa ya 5, Barabara ya Loita, Nairobi.

   Ili kukubalika, fomu ya Uwakilishi, sharti ijazwe kikamilifu na mwanachama na kupeanwa kwa Katibu wa Kampuni katika makao makuu yaliyoko Britam Centre, Barabara za Mara/Ragati, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi au ofisi za msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Ghorofa ya 5, Barabara ya Loita, Nairobi, kabla ya saa nne asubuhi, Jumatano ya tarehe 18, Juni 2014, baada ya hapo itakuwa ni batili.

   Njia nyingine, fomu ya uwakilishi iliyosainiwa inaweza kunakiliwa kwa skani na kutumwa kwa email hadi info@image.co.ke iikiwa kwa mfumo wa pdf. Iwapo ni shirika, fomu ya uwakilishi sharti iwe na muhuri rasmi wa shirika hilo;

2. Kwa mujibu wa kifungu 151 cha Ibara za Mikataba ya Makampuni, nakala ya Taarifa yote na hesabu za mwaka yaweza kutazamwa katika tovuti ya Kampuni www.britam.co.ke au nakala halisi yaweza kupatikana kutoka ofisi iliyosajiliwa rasmi ya Kampuni, Britam Centre, Barabara za Mara/Ragati, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi; na

3. Usafiri utatolewa kwa wanahisa kutoka kituo cha mabasi cha Kencom hadi Safari Park Hotel kuanzia saa moja asubuhi hadi saa tatu asubuhi mnamo tarehe 20 Juni 2014.

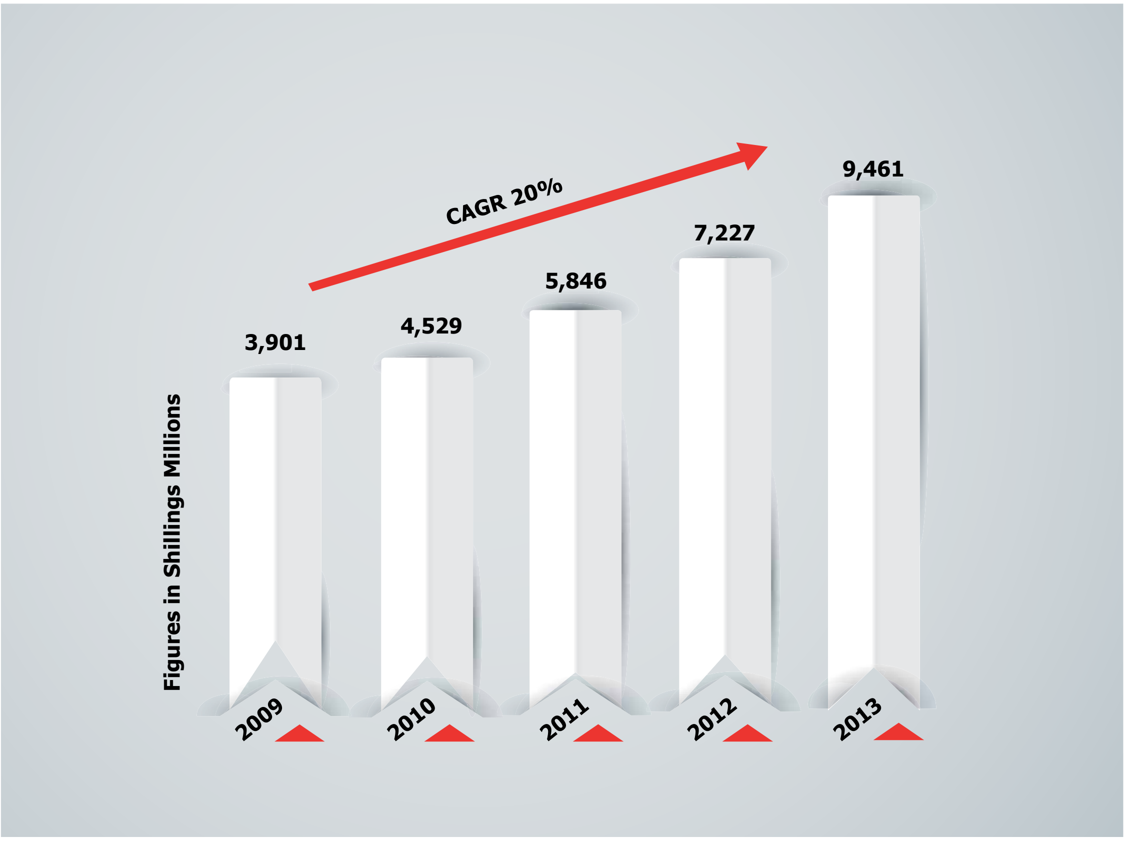
Summary income statement

	2013 Shs '000	2012 Shs '000	2011 Shs '000	2010 Shs '000	2009 Shs '000
Revenues					
Gross earned premiums	8,847,166	6,849,692	5,607,621	4,333,428	3,782,606
Net earned premiums	7,751,199	5,956,691	4,936,707	3,658,756	3,278,054
Fund management fees	613,511	377,208	238,315	195,852	118,404
Investment income	6,347,732	5,048,662	(2,093,198)	4,684,635	196,169
Commissions earned & other income	417,616	360,823	300,860	429,953	208,874
Total revenue	**15,130,058**	**11,743,384**	**3,382,684**	**8,969,196**	**3,801,501**
Expenses					
Net insurance benefits and claims	4,826,720	3,669,331	2,999,016	3,124,016	1,976,952
Interest payments/increase in unit value	2,204,587	1,608,828	(765,689)	694,092	(3,457)
Operating and other expenses	3,210,990	2,286,578	1,760,544	1,316,822	1,222,876
Commissions payable	1,873,285	1,476,086	1,192,335	960,677	939,464
Total expenses	**12,115,582**	**9,040,823**	**5,186,206**	**6,095,607**	**4,135,835**
Share of profit of the associate	181,685	146,845	79,436	-	-
Profit before tax	**3,196,161**	**2,849,406**	**(1,724,086)**	**2,873,589**	**(334,334)**
Total comprehensive income for the year	**4,204,600**	**4,184,734**	**(4,186,381)**	**5,482,882**	**(1,120,367)**
Earnings per share	1.40	1.33	(1.03)	1.43	(0.22)

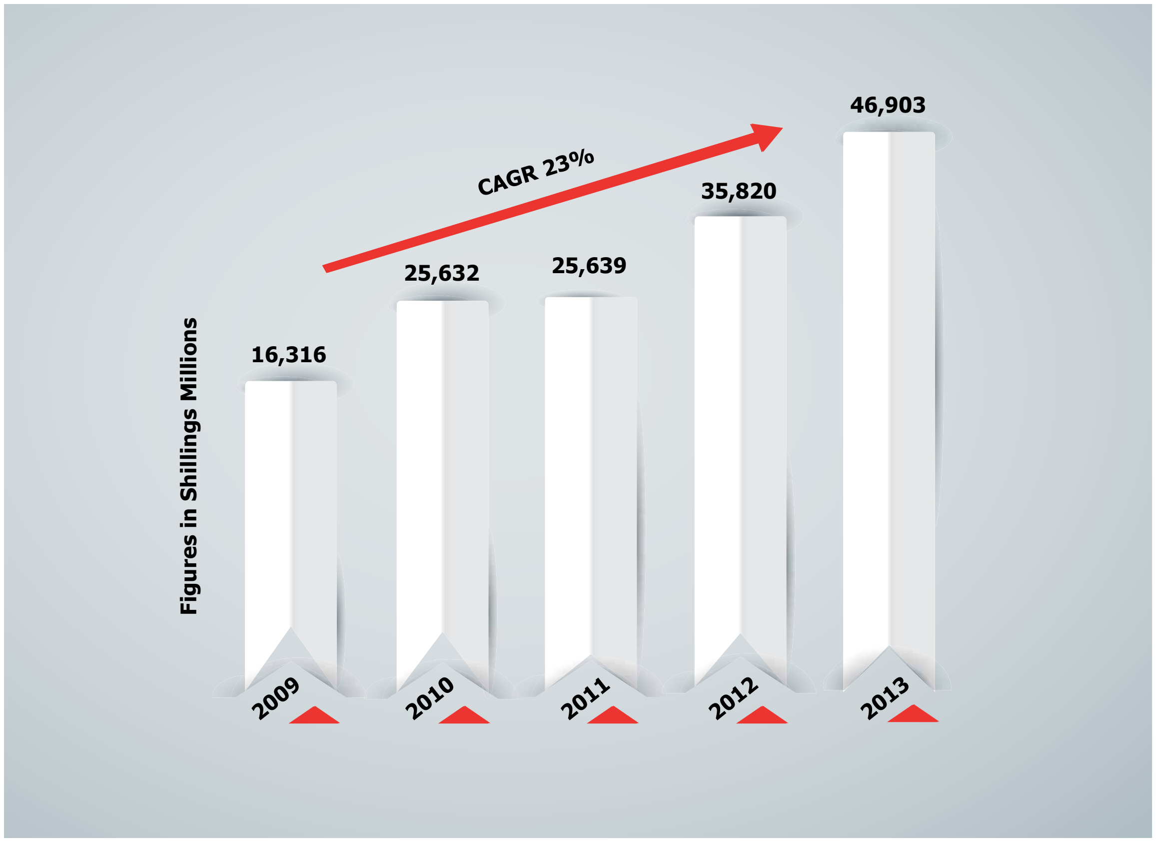
Summary statement of financial position

	2013 Shs '000	2012 Shs '000	2011 Shs '000	2010 Shs '000	2009 Shs '000
Shareholders' funds	16,934,797	12,472,324	8,557,448	10,569,980	5,207,098
Total Assets	46,902,578	35,820,165	25,639,244	25,361,917	16,315,807
Total liabilities	29,967,781	23,347,841	17,081,796	14,791,937	11,108,709

Gross Earned Premium & Fund Management Fees

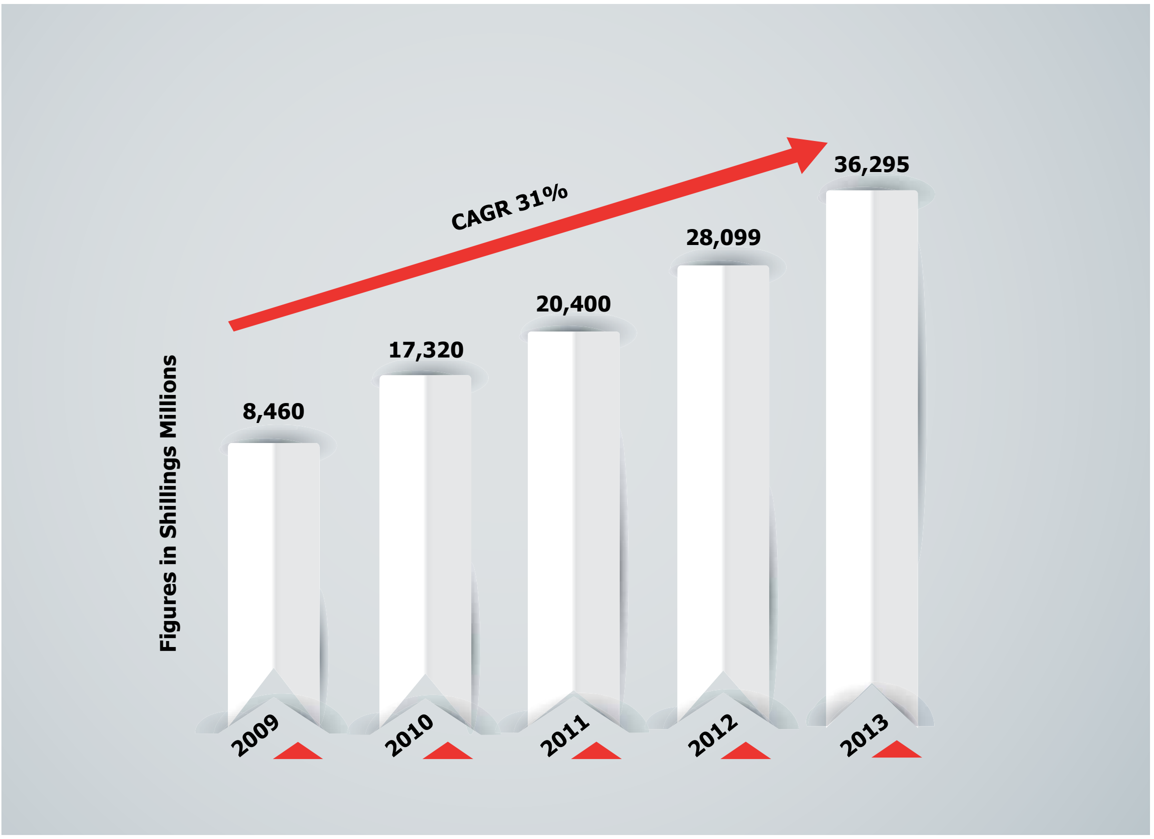


Total Assets

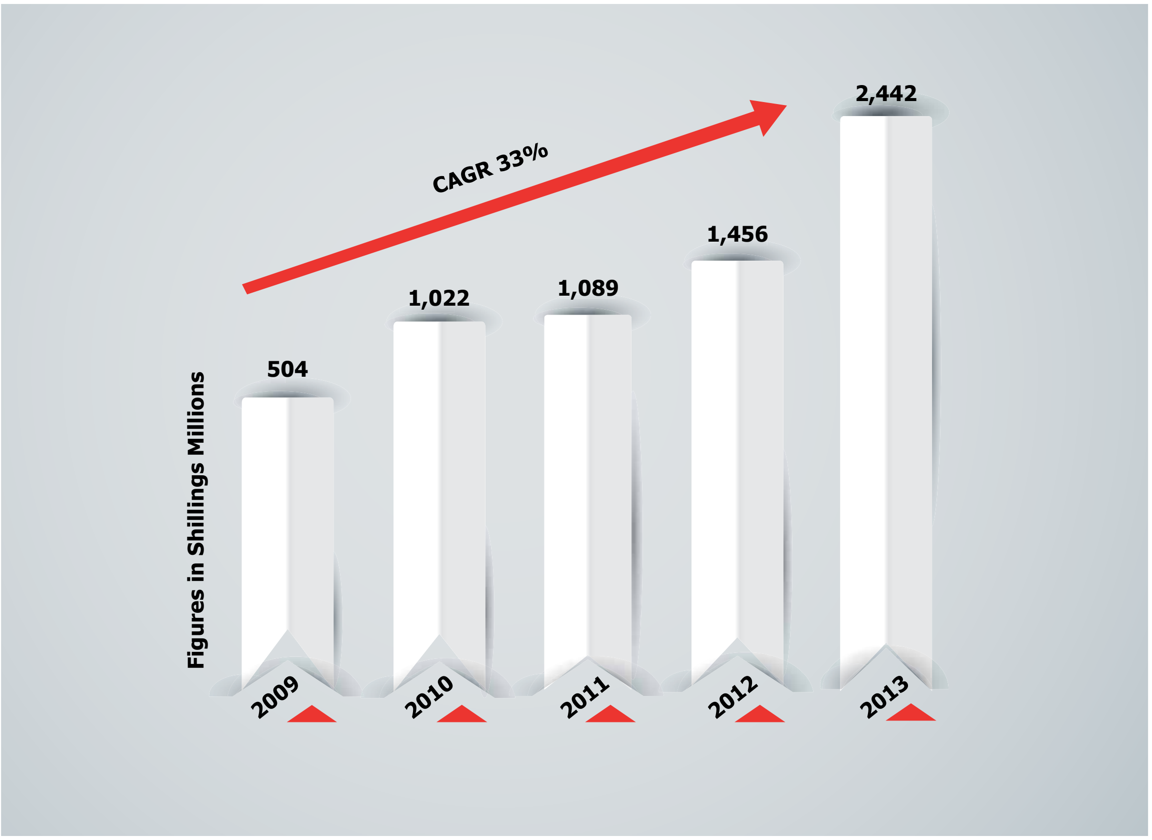


Dividend

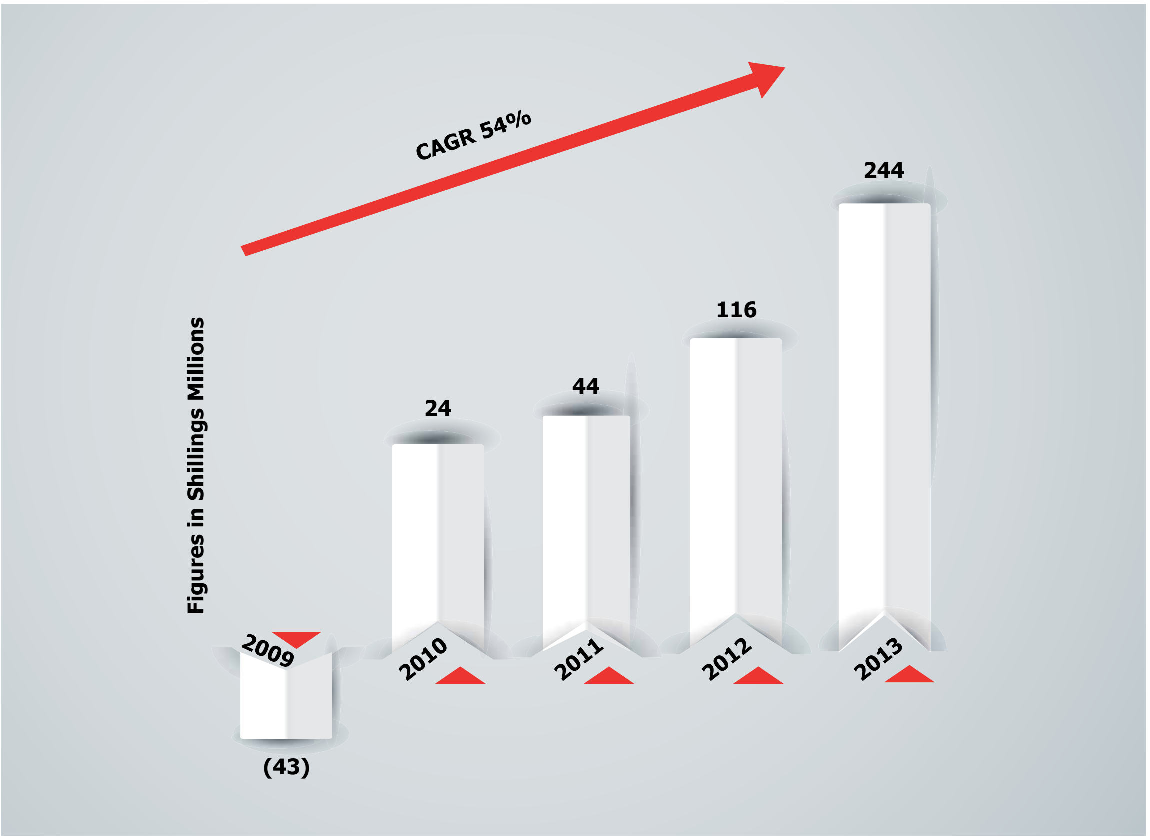
Assets Under Management - Managed Funds



Profitability - Insurance



Profitability - Asset Management



AMB. DR. FRANCIS K. MUTHAURA
CHAIRMAN

CHAIRMAN'S STATEMENT

Dear Shareholder,

On behalf of the Board of Directors of British-American Investments Company (Kenya) Limited and its subsidiaries, I am pleased to present to you the Annual Report and Financial Statements for the year ended 31 December 2013.

This is my first opportunity to write formally to shareholders and I am fortunate to be able to do so at such a time as this. 2013 was a year of great significance, not only for the nation of Kenya but for the Britam Group as well. A smooth political transition and stable environment enabled Kenyans to celebrate 50 years of independence in December 2013 with renewed expectations of better prospects.

For the Britam Group, 2013 marked the year when we finalized the deal to acquire Real Insurance Company ("REAL") a respected general insurance underwriter. This acquisition was approved by you, our shareholders, at the EGM held on 19 February 2014.

When the transaction is completed, I am proud to announce to you that Britam, will have the largest Pan African insurance footprint within the East and Central African region with operations in Kenya, Uganda, Tanzania, Rwanda, Malawi, Mozambique and South Sudan and a workforce of approximately 800 employees.

2013 is also the year Britam won the largest number of local and international awards that it has ever won in her 48 year history in Kenya. These awards include:

- Kenya Institute of Management's Company of the Year Award (COYA): Not only did Britam win this prestigious award, but our Group Managing Director, Mr. Benson Wairegi received the CEO of the Year Award. In addition, Britam also received the Leadership and Management Award as well as the Customer Orientation and Marketing Award.

- Association of Kenya Insurer's Agent of the Year Award; an award we have held for five consecutive years.

- Capital Finance International Award for Best Insurance Company in Kenya: Britam Insurance was named the best insurance company in Kenya by Capital Finance International (CFI.co.), a respected international financial publication. This award was presented in recognition of its innovative micro-life insurance product "Kinga Ya Mkulima" which has increased insurance penetration in Kenya.

- World Finance Award for Best Life Insurance Company in Kenya: This award was presented to Britam Insurance by World Finance, which is an internationally renowned publication based in London.

- Think Business Magazine's Fund Manager of Year Award & the Unit Manager of the Year Award: These awards were presented to the Britam Asset Management Company by Think Business Africa, a prestigious local financial research and intelligence company.

These awards, demonstrate Britam's commitment to excellence and I would like to congratulate the management team and all our employees for winning these awards and especially our Group Managing Director, Mr. Benson Wairegi for his exemplary leadership; indeed it is this leadership that has earned the Group these well-deserved accolades.

In recognition of the potential positive impact of the above strategic initiatives and more, investors in Britam were rewarded handsomely with an increase in Britam's share price from a closing price of KShs. 6.00 in December 2012 to a closing price of shs.15.15 at the close of 2013 representing an appreciation of over 150%. This made Britam one of the best performing stocks on the Nairobi Securities Exchange in 2013.

REVIEW OF OUR BUSINESS STRATEGY

The year 2013 was the second year of implementation of Britam's ambitious 5 year strategic plan (2012-16). I am pleased to report that during this year, we witnessed the acceleration of three main strategic imperatives:

1. The growth of the Group's market share through local expansion:

To ensure that our business in Kenya continues to grow, we increased our distribution network and channels by opening 10 new branches in various counties, appointed new franchises and independent agents and increased our Bancassurance partners. These multiple distribution channels, when combined with our core financial advisory network of close to 2,000 financial advisors, is expected to bring more business and grow our market share.

2. The implementation of the regional expansion strategy:

We started our expansion into the region in 2010 when Britam Insurance Company (Uganda) Limited opened its doors for business. The Ugandan subsidiary is fully operational and is licensed to underwrite all classes of life and non-life insurance risks.

In 2012, we ventured into South Sudan and opened Britam Insurance Company Limited (South Sudan) which is licensed to underwrite all classes of life and non-life insurance. It commenced operations in November 2012 and has performed well despite the political turbulence experienced in December 2013.

We are pleased to announce that in 2013 we were able to open our 3rd regional office in Rwanda. Britam Insurance Company Limited (Rwanda) was incorporated in 2013 and is licensed to underwrite all classes of life and non-life insurance.

3. The implementation of the property development strategy:

Bramer Property Limited, a subsidiary of the Britam Group was fully incorporated in November 2012 and started operations in 2013 with the aim of becoming the leading property development company in Eastern Africa. The Company was formed to focus on development of master planned communities, shopping malls, commercial mixed use development, commercial offices, affordable and modular housing and budget hotels.

To increase Britam's capacity to undertake large scale property developments and launch new and innovative products in the real estate sector we invested in Acorn Group, a project management and property development group.

In addition to the above initiatives, construction of the iconic Britam Towers in Upper Hill, Nairobi began in October 2013. This is a landmark property development and when completed in 2016 will offer Grade A office accommodation and is expected to be one of the tallest buildings in Africa.

The group will continue to pursue these strategic initiatives in 2014.

OPERATING ENVIRONMENT

Political Environment

The year started well with peaceful elections which brought in the new government dispensation with the most notable change being the implementation of a new devolved system of government. While this was the year the Kenya celebrated 50 years of independence, it was also a year characterized by rising insecurity and acts of terrorism within the country. In addition there was increasing instability from our neighbouring countries such as Somalia and South Sudan.

In December 2013, an attempted coup in South Sudan saw the country erupt into violence with most sectors of the country being adversely affected. A ceasefire agreement was signed in January 2014 and the government maintains that it is committed to the resumption of normal economic activity.

Macroeconomic Environment

In spite of the general jitters around the March 2013 general election, Kenya achieved an estimated GDP growth rate of 4.8% up from 4.7% in 2012. Lending rate remained high resulting in suppressed private sector credit growth. Inflation edged upwards in the second half of the year due to the implementation of the VAT Act 2013 which saw prices of a number of commodities rise. Overall, however annual average inflation rate declined to 5.7% in 2013 from 9.6% in 2012.

Monetary policy was neutral for most of the year even amid concerns over currency stability. The shilling was stable against most international currencies during the year. It closed the year at 86.1 against the US dollar which was unchanged from the beginning of the year.

The NSE All Share Index gained 44.1% in 2013. The positive performance was driven by an upturn in investor sentiments on account of reduced perceptions of political risk after the peaceful conclusion of the March general, a favourable macroeconomic environment and improved inflows from foreign investors.

KEY PERFORMANCE HIGHLIGHTS

Ladies and Gentlemen, I am pleased to advise that 2013 was a very successful year for the Britam Group. This was largely due to a relatively favourable economic environment and the successful implementation of our ongoing business strategy. In summary:

- The Group made a pre-tax profit of Shs 3.2 billion compared to a pre-tax profit of Shs 2.8 billion in 2012.

- It achieved comprehensive income of Shs 4.2 billion and this can be attributed to the solid performance of the core businesses of the Group

- The Group's gross income increased from Shs 7.2 billion to Shs 9.5 billion during the year, an admirable growth of 31%.

- Total assets managed by the Group grew by 31% from Shs 36 billion as at 31 December 2012 to Shs 47 billion as at 31 December 2013.

- Clients' Assets under Management (AUM) in the investment and fund management business grew by 30% to Shs 36.3 billion, up from Shs 28.1 billion in 2012.

DIVIDEND

The Board of Directors is recommending a dividend for the year of Shs 473 million (2012: Shs 473 million) or 25 cents per share (2012: 25 cents).

BOARD AND GOVERNANCE

We have made good progress in delivering a clear succession plan for our Board. This includes several changes amongst the directors to ensure we have a strong, diverse Board with relevant experience to support the Company in delivering its growth strategy.

In December 2013, Mr. Nicholas Ashford Hodges retired as the Chairman of the Board of British-American Investments Company Ltd. Mr. Hodges retired after giving distinguished service to the Group.

On behalf of the Board of Directors I would like to pay tribute to the support, guidance, and immense contribution that he has made to the Group over the years. I was humbled and honoured when the Board gave me the opportunity to serve as the next Chairman to make this vision a reality and to deliver outstanding value to all our shareholders.

I am pleased to announce the following appointments to the holding company Board and the subsidiary boards. These appointments have been made to further strengthen corporate governance and enhance operational strategy execution.

Board of Directors – British-American Investments Company (Kenya) Limited
- Mr. Dawood Rawat,
- Moussa Ibrahim Rawat
- Mr. Tarun Ghulati

Board of Directors – Britam Insurance Company (Uganda) Limited
- Mr. Shem Nnaggenda Nsubuga

Board of Directors – Britam Insurance Company Limited (Rwanda)
- Mr. Peter Rutaremara
- Ms Shelagh Kahonda
- Mr. Daniel Muhimuzi

I congratulate my colleagues on these appointments and I believe that their contribution shall lead to the enhanced performance of the Group.

FUTURE OUTLOOK

The global economic growth is expected to improve in 2014. Africa is expected to remain among the fastest growing regions in the world and the International Monetary Fund (IMF) is projecting a growth rate of 6% in 2014 and 2015.

The Kenyan economy is poised for growth, with GDP growth expected to accelerate to 5.2% in 2014. The positive growth will be as a result of the recovery of the global economy, a stable macroeconomic and political environment, favourable weather conditions and increased investment flows into Kenya.

We are optimistic that the economies where we operate will continue to grow and enjoy political stability and provide us the environment to implement our strategy aimed at making Britam the leading diversified Financial Services Group in Kenya and the region and to enable us continue delivering value to all our stakeholders.

ACKNOWLEDGEMENT

We have enjoyed tremendous support and goodwill from all our esteemed customers, investors, strategic alliance partners, business associates and the regulators. We greatly value and appreciate this support and trust that we can continue to count on it in the future.

I would like to express my gratitude to my fellow directors for their wise counsel and to all our staff and financial advisors for their dedication, loyalty and commitment. Lastly I would also like to thank the shareholders for continuing to support and believe in Britam, our strategy and our exciting future.

Amb. Dr. Francis K. Muthaura
Chairman
6 March 2014

Mwanahisa Mpendwa,

Kwa niaba ya Bodi ya Wakurugenzi wa Kampuni ya British-American Investments Company (Kenya) Limited pamoja na kampuni zake tanzu, nina furaha kuwasilisha kwenu Ripoti hii ya Mwaka na Taarifa za Kifedha kwa mwaka unaomalizika tarehe 31 Disemba 2013.

Hii ni fursa yangu ya kwanza kuwaandikia rasmi wanahisa na nimebahatika kufanya hivi katika wakati huu. 2013 ulikuwa mwaka muhimu sana, sio tu kwa taifa la Kenya bali pia kwa Kampuni hii ya Britam. Mabadiliko ya uongozi kwa njia ya amani na mazingira tulivu yaliyowezesha Wakenya kusherehekea miaka 50 ya Uhuru mnamo Disemba 2013 kukiwa na matumaini makubwa ya mafanikio.

Kwa kundi hili la Britam, 2013 ndiyo ulikuwa mwaka ambao tulikamilisha mpango wa kupata umiliki wa kampuni ya Real Insurance Company ("REAL") shirika linaloheshimika la utoaji bima za kawaida. Umiliki wa kampuni hii uliidhiinishwa na nyinyi, wanahisa wetu, katika mkutano usiyo wa kawaida yaani EGM uliyofanyika tarehe 19 Februari 2014.

Wakati shughuli hiyo itakapokamilika, najivunia kuwatangazia kuwa Britam, itakuwa na wayo mkubwa zaidi kote Afrika katika nyanja hii ya Bima miongoni mwa mashirika mengine yanayooendesha shughuli zake katika eneo hili la Afrika Mashariki nchini Kenya, Uganda, Tanzania, Rwanda, Malawi, Mozambique na Sudan Kusini na kuweza kuajiri wafanyikazi takriban 800.

2013 vile vile ni mwaka ambao Britam ilishinda tuzo nyingi humu nchini na za kimataifa kuliko ilivyowahi kushinda katika histotria yake ya 48 ya kuweko hapa nchini Kenya. Tuzo hizi ni pamoja na:

- Kenya Institute of Management's Company of the Year Award (COYA): Pamoja na Britam kutunukiwa tuzo hii adhimu, bali hata Mkurugenzi Mtendaji wetu, Bw. Benson Wairegi alituzwa na kupokea tuzo ya Mkurugenzi Mkuu bora wa Mwaka yaani CEO of the Year Award. Kuongezea, Britam pia ilipokea tuzo ya Uongozi na Usimaizi bora yaani Leadership and Management Award pamoja na tuzo ya Huduma kwa wateja na Mauzo iitwayo Customer Orientation and Marketing Award.

- Association of Kenya Insurer's Agent of the Year Award; Tuzo ya hii tumekuwa tukiishinda kwa miaka yote tano iliyopita.

- Capital Finance International Award for Best Insurance Company in Kenya: Shirika la Bima la Britam lilitambulika kuwa bora zaidi kuliko yote hapa Kenya na shirika la Capital Finance International (CFI.co.), shirika la kimataifa linaloheshimika la kuchapisha kuhusu maswala ya kifedha. Tuzo hii ilitolewa kwa kutambua ubunifu wake katika mpango wa bima wa micro-life kupitia huduma ya "Kinga Ya Mkulima" ambayo imesaidia kueneza zaidi huduma ya bima nchini Kenya.

- World Finance Award for Best Life Insurance Company in Kenya; Tuzo hii ilitolewa kwa Kampuni ya Bima ya Britam na Shirika la World Finance, amablo ni shirika maarufu kimataifa la kuchapisha lilioko mjini London.

- Think Business Magazine's Fund Manager of Year Award & the Unit Manager of the Year Award: Tuzo hizi zilitolewa kitengo cha usimamizi wa rasilimali cha Britam Asset Management Company na shirika la Think Business Africa, shirika la humu nchini linaloheshimika la utafiti wa maswala ya kifedha na upelelezi.

Tuzo hizi, zinadhihirisha kujitolea kwa Britam kufikia ubora na ningependa hapa kuwapongeza timu ya wasimamizi pamoja na wafanyikazi wetu wote kwa kushinda tuzo hizi na hasa mno Mkurugenzi Mkuu wa Kundi, Bw. Benson Wairegi kwa uongozi wake unaostahili kuigwa; bila shaka ni uongozi huo uliyowezesha Kundi kustahili kushinda tuzo hizi zenye sifa kuu.

Ni dhahiri mikakati iliyokaririwa hapo juu ulileta natija nzuri mno, na hasa zaidi, wawekezaji katika Britam walizawadiwa vilivyo kwa vile bei ya hisa za Britam iliongezeka pakubwa kutoka kwa bei ya kufungia ya Shilingi 6.00 mnamo Disemba 2012 hadi kufikia bei ya kufungia ya Shilingi 15.15 wakati wa kumalizika 2013 hii ikiwakilisha ongezeko la thamani la zaidi ya 150%. Hii ilifanya Britam kuwa moja ya makampuni yenye hisa zinazofanya vizuri zaidi katika soko la hisa la Nairobi katika 2013.

KUANGAZIA MKAKATI WETU WA KIBIASHARA

Mwaka wa 2013 ulikuwa mwaka wa pili wa Britam kutekeleza mkakati wake wenye matarijio makubwa wa miaka 5 (2012-16). Nina furaha kuwaripotia kuwa katika mwaka huu, tulishuhudia kupata kasi kwa kutekelezwa mipango mitatu muhimu kama:

1. Kukua kwa fungu la Kundi katika soko kutokana na kuenea kwake humu nchini:

Ili kuhakikisha kuwa biashara yetu hapa Kenya inaendelea kustawi, tulizidisha njia za usambazaji mtandao wetu kwa kufungua matawi 10 mapya katika majimbo mbali mbali, tukateua wauzaji rasmi na mawakala binafsi na kuongeza zaidi washirika wetu uuzaji bima. Hizi njia tofauti tofauti za usambazaji, zikijumuishwa na shina letu la mtandao wa ushauri wa kifedha takriban washauri wa kifedha 2,000, hii inatarajiwa kutuletea biashara zaidi na kuzidisha fungu letu katika soko.

2. Utekelezaji wa mpango wetu wa kukuwa katika eneo hili:

Tulianza kukuwa katika eneo hili kmnamo mwaka wa 2010 pale Britam Insurance Company (Uganda) Limited ilipozinduliwa na kuanza biashara. Kampuni hii tanzu ya Uganda inatekeleza shughuli zake kikamilifu na imepewa leseni ya kuweka bima za viwango vyote za dhima ya maisha na zisizo za maisha.

Katika 2012, tuliazimia kuingia Sudan ya Kusini na kufungua kampuni tanzu ya Britam Insurance Company Limited (South Sudan) ambayo ilipewa leseni ya kuweka bima za viwango vyote za dhima ya maisha na zisizo za maisha. Ilianzia shughuli zake mnamo Novemba 2012 na inafanya vizuri licha ya kuweko kwa msukosuko wa kisiasa ulaiokuweko mnamo mwezi wa Disemba 2013.

Tunafuraha kuwatangazia kuwa katika 2013 tulifanikiwa kufungua ofisi yetu ya 3 katika eneo hili nchini Rwanda. Britam Insurance Company Limited (Rwanda) iliandikishwa rasmi mnamo 2013 na ina leseni ya kuweka bima za viwango vyote za dhima ya maisha na zisizo za maisha.

3. Utekelezaji wa mpango wetu wa ustawishaji wa ardhi na majengo:

Bramer Property Limited, kampuni tanzu ya Kundi hili la Britam iliorodheshwa rasmi mnamo Novemba 2012 na kuanza shughuli zake katika 2013 kukiwa na madhumuni ya kampuni inayoongoza katika ustawishaji majengo hapa Afrika Mashariki. Kampuni hii ilianzishwa ili kulenga kusitawisha ustawi wa nyumba za jumuiya zilizopangiwa, maduka makubwa, majumba ya mchanganyo wa biashara, afisi za biashara, nyumba za makazi na hoteli za bei nafuu.

Ili kuongeza uwezo wa Britam wa kujiandaa kutekeleza ustawishaji wa kiwango cha juu wa ardhi na majengo na kuzindua huduma bunifu katika sekta hii ya ujenzi wa majumba tuliwekeza katika Kampuni ya Acorn Group, aya kusimamia mikakati na ujenzi wa majumba.

Kuongeza kwa mipango hiyo ilioelezewa hapo juu, ujenzi wa jumba lenye taswira nzuri la Britam Towers kule Upper Hill, Nairobi ulinaza mnamo Octoba 2013. Jumba hili ambalo ni alama muhimu katika ustawi wa majumba na litakapokamilika katika 2016 litatoa ofisi za daraja ya A na litarajiwa kuwa moja ya majengo marefu zaidi Afrika.

Shirika hili litaendelea kufuatilia mipango hii katika 2014.

MAZINGIRA YA SHUGHULI

Mwaka huu ulianza kwa upigaji kura uliyokuwa wa amani uliyoleta serikali mpya kukiwa na badiliko muhimu sana la kuweko na kutekelezwa kwa serikali ya ugatuzi. Huku ukiwa ndiyo mwaka ambao Kenya ilisherekea maika 50 ya uhuru wake, vile vile ulikuwa mwaka uliyokumbwa na kukithiri kwa hali mbaya ya usalama na visa vya ugaidi humu katika nchi. Kuongeza hayo, hali ya kutokuwa na usalama katika nchi jirani kama vile Somalia na Sudan Kusini ilizidi.

Katika Disemba 2013, jaribio la mapinduzi nchini Sudan Kusini lilipelekea kuzuka fujo na vita huku sekta nyingi za nchi hiyo zikiathiriwa pakubwa. Mkataba wa kusitisha uhasama baina ya pande zinazo zozana ulitiwa saini mnamo Januari 2014 na serikali inasisitiza kuwa iko tayari kuhakikisha hali ya kiuchumi inarudia katika hali yake ya kawaida.

Hali ya uchumi kwa ujumla

Licha ya kuweko kwa hali ya wasiwasi wakati wa uchaguzi mkuu wa Machi 2013, Kenya ilipata ukuaji wa mapato yaani GDP unaokisiwa kuwa wa uwiano wa 4.8% ikiwa ni ongezeko kutoka 4.7% iilivyokuwa katika 2012. Viwango vya riba ya mikopo viliendelea kuwa juu na kusababisha ubanaji wa ukuaji wa sekta ya mikopo ya kibinafsi kupanda kwa gharama za maisha kulizidi katika nusu ya mwaka huo kutokana na utekelezaji wa sharia ya kodi ya VAT ya 2013 iliyosababisha kupanda kwa bei ya bidhaa mbali mbali. Kwa ujumla, hata hivyo kwa wastani kima cha kupanda kwa gharama kilipungua hadi 5.7% katika 2013 kutoka 9.6% ilivyokuwa 2012.

Sera za kifedha zilibakia sawia katika kipindi kikubwa cha mwaka huo licha ya kuweko shauku juu uthabiti wa sarafu. Shilingi ilikuwa imara dhidi ya sarafu nyingi za kimataifa katika mwaka huo. Ilifunga mwaka kwa thamani ya 86.1 dhidi ya Dola ya Kimarekani ambayo ilibaki bila ya kubadilika kuanzia mwanzo wa mwaka.

Kima cha Soko la hisa na NSE kwa hisa zote kilipanda kwa 44.1% katika 2013. Matokeo haya mazuri yaliletwa na kugeuza nia kwa wawekezaji kutokana na kupungua kwa dhana ya hali mbaya wakati wa uchaguzi mkuu baada ya kukamilika kwa amani, hali nzuri ya uchumi na kuongezeka kuingia wawekezaji wa nchi za nje.

MAMBO MUHIMU TULIYOTEKELEZA

Mabibi na mabwana, nimejawa na furaha kuwajulisha mwaka wa 2013 ulikuwa mwaka wa mafanikio kwa Shirika la Britam. Hii hasa zaidi ilitokana na hali nzuri ya kiuchumi iliyoko na kufanikiwa kwetu kutekeleza mikakati yetu inayoendelea ya kibiashara. Kwa mukhtasari:

- Shirika hili lilipata faida kabla kulipa kodi ya Shilingi bilioni 3.2 ikilinganishwa na faida kabla ya kulipa kodi ya Shilingi bilioni 2.8 katika 2012.
- Ilifikia mapato yalo wazi ya Shilingi bilioni 4.2 na hii inaweza kunasibishwa na mafanikio makubwa yaliopatikana na kutokana na biashara halisi ya Shirika hili
- Faida kamili ya jumla ya kundi iliongezeka kuanzia Shilingi bilioni 7.2 hadi Shilingi bilioni 9.5 katika mwaka huo, ambao ni ukuaji mzuri wa 31%.
- Jumla ya rasilimali zinazosimamiwa na Shirika iliongezeka kwa 31% kuanzia Shilingi bilioni 36 mnamo tarehe 31 Disemba 2012 hadi Shilingi bilioni 47 mnamo tarehe 31 Disemba 2013.
- Rasilimali za wateja zilizo chini ya usimamizi wa kundi katika biashara ya uwekezaji na usimamizi wa fedha uliongezeka kwa 30% hadi Shilingi bilioni 36.3, ikipanda kutoka Shilingi bilioni 28.1 katika 2012.

MGAO

Bodi ya wakurugenzi inapendekeza kuwe na mgao kwa mwaka huu wa Shilingi milioni 473 (2012: Shilingi milioni 473) au senti 25 kwa kila hisa (2012: senti 25).

HALMASHAURI NA USIMAMIZI

Tumetimiza maendeleo mazuri katika kuwasilisha mpango uliyo wazi wa upokenazaji hatamu katika bodi yetu. Hii ikijumuisha mabadiliko mbali mbali miongoni mwa wakurugenzi ili kuhakikisha tuko na bodi ya wakurugenzi iliyo imara, anuwai iliyo na watu wenye uzoefu ufaao ili kusaidia Kampuni hii kutekeleza mkakati wake wa ukuaji.

Katika Disemba 2013, Bw. Nicholas Ashford Hodges alistaafu kama Mwenyejkiti wa bodi ya Kampuni ya British American Investments Company Ltd. Bw. Hodges alistaafu baada kutoa huduma ya kutambulika kwa Kundi hili.

Kwa niaba ya Bodi ya wakurugenzi ningependa kutoa shukrani zangu kwa usaidizi wake, uongozi, na mchango wake mkubwa aliyotoa kwa Kundi hili katika miaka aliyohudumu. Nilihisi unyenyekevu wakati Bodi ilipoamua kunipatia fursa ya kutumikia kama Mwenyekiti anayefuata ili kutekeleza maono haya na kuwasilisha thamani bora ya maana kwa wanahisa wetu wote.

Nina furaha kutangaza uteuzi ufautao wa nyadhifa katika bodi za kampuni kuu na bodi za kampuni tanzu. Uteuzi huu unafanyika ili kutilia nguvu usimamizi wa shirika na kuboresha shughuli za utekelezaji wa mikakati.

Bodi ya Wakurugenzi – British-American Investments Company (Kenya) Limited

- Bw. Dawood Rawat,
- Moussa Ibrahim Rawat
- Bw. Tarun Ghulati

Bodi ya Wakurugenzi – Britam Insurance Company (Uganda) Limited
- Bw. Shem Nnaggenda Nsubuga

Bodi ya Wakurugenzi – Britam Insurance Company Limited (Rwanda)
- Bw Peter Rutaremara
- Bi. Shelagh Kahonda
- Bw Daniel Muhimuzi

Nawapongeza wenzangu hawa kwa uteuzi huo na naamini kuwa mchango wao utapelekea kuboresha zaidi matokeo ya Kundi hili.

MTAZAMO KATIKA SIKU ZIJAZO

Ukuaji wa uchumi wa dunia unatarjiwa kuimarika katika 2014. Afrika inatarajiwa kuendelea kuwa miongoni mwa maeneo yanayostawi kwa kasi zaidi ulimwenguni na Shirika la Kifedha Duniani (IMF) linakisia kutakuwa na ukuaji wa kima cha 6% katika 2014 na 2015.

Uchumi wa Kenya unatarajiwa kukuwa, kukitazamiwa kuwa na ongezeko la mapato ya serikali yaani GDP la 5.2% katika 2014. Matumaini haya ya ukuaji yanaegemezwa kwenye kupata afueni kwa uchumi wa dunia, kuimarika kwa uchumi kwa ujumla na hali tulivu ya kisiasa, hali ya hewa ya kupendeza na kuzidi kuingizwa fedha za uwekezaji hapa Kenya.

Tuko na matumaini kuwa hali ya uchumi ambamo tunatekeleza shughuli zetu itaendelea kustawi na kuwa na hali ya kisiasa yenye amani na kutoa mazingira yatakayotuwezesha kutimiza mkakati wetu unaolenga kuifanya Britam kuwa Shirika linaloongoza kwa utoaji Huduma aina mbali mbali za Kifedha hapa Kenya na katika eneo hili na pia kutuwezesha sisi kuendelea kuwasilisha thamani bora kwa wanahisa wetu wote.

SHUKRANI

Tumefaidika pakubwa na uungwaji mkono na uhusiano mwema kutoka kwa wateja wetu watukufu, wawekezaji, washirika wetu wa kimkakati, washirika wa kibiashara na wadhibiti kanuni. Tunathamini na kupendezwa sana na usaidizi huu na tuna imani kuwa tutazidi kuwategemea hata katika siku zijazo.

Ningependa kutoa shukrani zangu za dhati kwa wakurugenzi wenzangu kwa ushauri wao wa busara na kwa wafanyikazi wetu wote pamoja na washauri wetu wa kifedha kwa kujitolea kwao, uaminifu na bidii yao. Mwisho napenda kuwashukuru wanahisa wetu kwa kuendelea kuunga mkono na kuwa na imani na Britam, pamoja na mipango yetu na mstakabala wetu uliyojawa na msisimko.

Balozi Dkt. Francis Kirimi Muthaura
Mwenyekiti
6 Machi 2014


WITH SUCCESS
COMES RECOGNITION

ACHIEVEMENTS

Over the last several years, Britam has built a very strong and highly successful diversified financial services brand in Kenya and in the region.

One of our key strategic focus areas has been and continues to be the maintance of a strong Britam brand. Key to this is creating a client - centric organization that meets and exceeds the needs of the customers.

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholder,

I'm pleased to present you with a report on the Group's performance for Financial Year 2013.

ECONOMIC OVERVIEW

The Group's financial performance is highly dependent on stable political and macroeconomic environments in the markets that we operate in.

The economic performance of the Eastern Africa region and specifically Kenya, Uganda South Sudan and Rwanda where Britam currently operates, was generally positive in 2013 with all the countries recording economic growth. The positive economic environments enabled the Group to record growth across all our lines of business in all markets.

In our key market, Kenya, the combination of generally high interest rates and the strong stock market performance contributed to the significant growth in investment income and the growth of the economy enabled the increased uptake of our products leading to the high revenues growth that we witnessed in 2013.

In Uganda, the low inflation and stable currency and the generally high level of economic growth provided the base for the high growth that we witnessed in that market.

The Group's decision to invest in Rwanda was informed by the strong economic growth that Rwanda continues to experience. Although economic growth in 2013 was not as strong as 2012, we are confident that the Rwandan economy shall continue to grow to support the uptake of Britam's products in 2014 and beyond.

Prior to the outbreak of violence in December 2013, the South Sudan economic environment was positive. Inflation rates were down and this created an economic environment where Britam could invest in and grow. The outbreak of violence however greatly affected the economy and the effects of the violence on the economy are likely to be manifested in 2014. As noted above, the outbreak of violence has affected the South Sudan's economic outlook. From a people and operations point of view, I am pleased to report that we successfully managed to evacuate our staff in South Sudan following outbreak of violence in Juba. I am pleased to report that staff returned back to South Sudan in early 2014 and there was minimal effect on our operations other than a slowdown of operation in December 2013 and January 2014. The peace efforts are continuing to bear fruit and it is our hope that peace and calm shall return so that normal economic activity can resume.

GROUP PERFORMANCE

As an investment holding company our performance is the sum total of the performance of the underlying businesses and the performance of our investment portfolio. We have designed and continue to implement a strategy that creates a top performing financial services group that delivers sustainable value for the shareholders.

The focused execution and implementation of the Group strategy coupled with the strong stock macroeconomic environment has enabled us to deliver outstanding 2013 results. The Group registered a profit before tax of Shs 3.2 billion in 2013 compared to a profit before tax of Shs 2.8 billion the previous year. The core insurance and asset management operations of the Group registered very strong performance with gross revenue growing by 31% from Shs 7.2 billion in 2012 to Shs 9.5 billion in 2013.

The insurance business registered a profit before tax of Shs 2.4 billion representing a 64% increase over 2012. This comprised life insurance business profit of Shs 1.94 billion (2012:Shs 848 m) and general insurance business profit of Shs 491 million(2012:608m). The reduction in general insurance profits is explained by the performance of the Uganda, Rwanda and South Sudan operations which are in their formative stages and which are expected to contribute positively to the underwriting profit in the coming years.

The asset management company, British-American Asset Managers Limited, achieved a profit before tax of Shs 244 million compared to Shs 115.9 million in 2012 representing a growth of 110%. This excellent performance was mainly due to a 62% increase in revenues riding on Assets under Management (AUM) which grew to Shs 36.3 billion from Shs 28.1 billion in 2012, a 29% increase; revenue from new products and a slower growth in operating expenses.

The strong performance of the core businesses in the Group was supplemented by a superb performance of the investment portfolio that generated investment income of Shs 6.3 billion compared with Shs 5 billion in 2012, with income before any gains from financial assets at fair value through profit or loss amounting to Shs 2.8 billion against Shs 2.0 billion in 2012.

The financial position of the Group continues to be very strong with total Group assets at Shs 46.9bn (2012:35.8m) and shareholders' funds at Shs 17 billion (2012:Shs 12.5 billion).

In line with our belief in creating a long term sustainable enterprise, the Group continued to invest in quality human capital to lead growth; branch and regional infrastructure in line with the strategy to expand to the counties as aligned to the New Constitution and; new technology in line with our IT strategy and architecture. This targeted investment has resulted in an average growth in operating costs of 36% from Shs 2.3 billion to Shs 3.1 billion after netting off finance and start up costs. We expect to reap the benefits of this investment in future years through efficiency both internally and externally from a customer service and product deployment standpoint.

OUR BRAND STRATEGY

Our brand is a key strategic asset of the Group. It defines us as a Group. It encapsulates our values and our identity and communicates these to all our stakeholders: our customers, our employees, our investors and the society at large.

I am pleased that our efforts to harmonise all our businesses into the 'one company, one brand' philosophy have continued to bear fruit in 2013. We believe that the various businesses within the Group should communicate to all our stakeholders in one language and are all identified under a monolithic brand that communicates who we are - a diversified financial services group with primary interests in insurance, asset management, private equity, property and banking in the region.

OUR INFORMATION TECHNOLOGY STRATEGY

In 2013 we achieved major milestones in the implementation of our ambitious IT led business transformation strategy.

The Strategy recognises the critical role of ICT in supporting the business for growth and the provision of excellent services to our clients and our stakeholders. The main focus in 2013 was on laying the foundation for the IT transformation journey whose objective is to enable Britam to be an intelligent organisation by 2016.

The key milestones achieved in 2013 include building of a new IT team, a modern, secure, scalable and robust IT Infrastructure, migration to a new state of the art Tier IV Data Centre, adoption of ITIL-based IT service management & governance and the implementation of IT security management best practice.

In 2014, we will continue on the transformation journey as guided by the IT strategy implementation roadmap by embarking on business applications implementation.

The IT-enabled Business transformation program is expected to run for the next 3 years and the Board and management have put in place the necessary project governance and risk management structures to ensure successful attainment of the program's goals. When completed, it is expected that we shall have a single view of the customer, technology driven service delivery channels, product and service differentiation and cost efficient business processes.

PROPERTY DEVELOPMENT

Property development and investment is one of our key strategic initiative aimed at enhancing shareholder value as well as diversifying our investment portfolio.

The construction of the iconic Britam Tower in Upper Hill, Nairobi's financial hub continues. The 31 storey building is the flagship project of Britam's property portfolio and is set be completed by 2016. Once complete, it will be the 3rd tallest building in Africa, after Carlton Centre in Johannesburg and Hassa 11 Mosque in Casablanca, Morocco. The tower, with thirty one (31) floors and standing over 130 metres above ground with a 65 metre wind turbine that is expected to generate green energy enough to power the common areas. The building has been tastefully designed to maximize natural ventilation and day-lighting. Rain water will be harvested and grey water treated and recycled for use in the gardens and washroom facilities.

Once complete, the tower will make available to the market over 340,000 sq ft of space with a target clientele of multinationals, diplomatic missions, financial institutions and government bodies.

MERGERS AND ACQUISITIONS

Acorn Group Limited

As part of the implementation of this strategy, the Company acquired a 25% stake in the Acorn Group- a leading project management and development company in the region. This acquisition has greatly bolstered our capacity to tap into opportunities in Kenya and the region's growing real estate sector.

Acorn has deep expertise in the real estate sector and they are currently managing a portfolio of 25 projects valued at over Shs 20 billion in Kenya, Uganda and South Sudan.

We recognised that for the property sector to grow and develop the market will need the coupling of property developers such as Acorn with institutional investors with high funding ability like Britam group and investment management capability provided by our asset management company who provide the structuring real estate backed investment products as well as financing and exit solutions.

The Britam / Acorn partnership brings together two strong brands, with proven track record, expertise and experience in various key components of the real estate industry including execution capability, capital raising and investment structuring. We believe that through this partnership we shall provide the market with end-to-end solutions that have previously not been available to land owners, investors, financial institutions, pension funds, and asset managers.

Real Insurance Company ("REAL") Acquisition

Towards our strategy of becoming a leading diversified financial services group, we signed a share purchase agreement to acquire a 99% stake in Real Insurance Company ("REAL") in December 2013. This transaction was subsequently approved by the shareholders at the Extraordinary General Meeting held on 19 February 2014.

REAL is considered a pioneer in the Kenyan insurance sector having started operations in 1910, it offers insurance services through its fifteen branches located in Nairobi and other major towns in Kenya as well as three subsidiaries in Tanzania, Malawi and Mozambique. REAL is also a global network partner of RSA (formerly known as Royal & Sun Alliance Insurance Group).

This acquisition will result in the creation of one of the largest financial services groups in the region, with operations in 7 countries namely Kenya, Uganda, Tanzania, Rwanda, South Sudan, Malawi and Mozambique.

The completion of this acquisition will be a key milestone in our strategy of expanding the business and diversifying our presence into key geographical areas in Africa. Mozambique is one of the fastest growing markets in Africa underpinned by 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 generally an agrarian economy and is one of Africa's food baskets.

REGIONAL EXPANSION

We continued to implement our regional expansion strategy in line with our vision to be the largest insurance and asset management organisation in the East African Region. The year 2013 marked Britam's third year of operation in Uganda and the second year of operation in South Sudan.
Britam Insurance Company Limited- Rwanda started operations in the third quarter of 2013 and we are pleased that the indications are pointing towards good business prospects.

HUMAN CAPITAL AND PERFORMANCE MANAGEMENT

Britam continues to be a performance and excellence driven organisation. Our goal is to have motivated and engaged staff and an alignment of company and individual goals. The Balanced Scorecard methodology is now fully entrenched as the performance management tool in the Group.

Benson Wairegi poses with the 2013 CEO of the Year Award presented by the Kenya Institute of Management. Britam was also named Overall Company of the Year 2013.

Britam insurance team celebrates after winning the AKI agent of the year award for the 8th year running. Out of the 541 agents who qualified, 227 were Britam financial advisors.

Britam Asset Management Company team smiles during the 2013 Think Business, Capital Markets Awards, where they clinched the Fund Manager of the Year and Unit Trust of the Year awards.

In pursuit of excellence, the company has in the last four years participated in the Organisation Performance Index (OPI) contest which is a tool that evaluates management practices using various dimensions. This program is facilitated by the Kenya Institute of Management (KIM) and Britam was honoured and recognised with the following awards in 2013:

1. Company of the Year;
2. CEO of the Year;
3. Leadership and Management; and
4. Customer Relationship and Marketing.

We were very excited about this recognition as it confirms that all our processes are approaching world class standards.

In order to align our business operations and talent requirements, we implemented the first phase of the Target Operating Model which entailed the set up of Satellite and Regional Branches and the creation of the Regional Insurance Director - role to oversee the group's insurance businesses. The next phase will be the operationalization of the Shared Services and Centralized customer service in order to have a single view of the customer.

We continue to invest in our human capital through leadership, technical and soft skills training and development in order to equip our staff with adequate competencies.

Our current total employee count grew to 501 staff, 39 of which are based in the Regional Offices of Uganda, South Sudan and Rwanda. We also grew the number of financial advisors to over 1,570. The growth in staff numbers was a factor of our regional and local expansion strategy.

ENTERPRISE RISK MANAGEMENT

We recognize that risk management is an integral component of our business operations and an important contributor to the sustainability of our business and the protection of shareholder value. After the independent review of the risk management across the Group we have continued to improve our governance, risk management and internal control processes and we continue to implement the Enterprise Risk Management Framework.

Through our risk management framework, we want to provide reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees and society are met. The Board of Directors and Management of the Group are fully committed to transforming the way risk is managed and we believe that the initiatives currently being undertaken and those planned for the current strategic planning period will enable the Group achieve new levels of maturity and robustness in the risk management program.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility represents the way companies achieve enhanced ethical standards and a balance of economic, environmental and social obligations meant to address the concerns and expectations of their stakeholders. As a caring corporate citizen, Britam has recognized the need to engage with its diverse publics and stakeholders through CSR in order to cultivate goodwill across all its business.

Britam's core responsibility to its various stakeholders is to work closely with them to pursue the enhancement and fulfilment of corporate values through sound business practice in order to promote a sustainable society.
Our long term strategy is to engage in strategic CSR which we believe will not only benefit our stakeholders but will also reinforce the company's corporate strategy and leverage on key focus areas.

The Britam Foundation is the vehicle through which the entire Group's Corporate Social Responsibility and sustainability activities will be actualized. The Foundation, when fully operational later this year, will give direction on how sustainability will be incorporated into the overall business of the organization. The Foundation will be instrumental in identifying core and strategic CSR activities for funding, and also help in the implementation of respective CSR programs.

FUTURE PROSPECTS

Though global growth is expected to gradually strengthen in 2014 as the constraints on economic activity start to ease, according to the IMF, the recovery is anticipated to be slow.
Further estimates indicate that the Eastern Africa region is likely to maintain its growth pace alongside other countries in Africa, with the relatively strong economic growth likely to increase as most of the economies benefit from a natural resource boom, strong internal demand from a rapidly growing middle class, increased spending on infrastructure, robust foreign direct investments and Diaspora remittances.

The recent peaceful general elections in Kenya are expected to lead to enhanced growth in our key market.

Going forward, we are confident that with the successful implementation of our strategic initiatives, Britam will benefit from the anticipated high GDP growth rate of the economies in the region.

ACKNOWLEDGEMENT

The excellent performance of the business during the year has been due to the support we continue to receive from all our esteemed clients and business partners. We thank them for this support and look forward to working closely with them in helping them achieve and exceed their financial security and investment objectives.

I would also like to express my gratitude to the Management Team, Staff and Financial Advisors for their hard work, dedication and commitment to the business during the year. This commitment has gone a long way in ensuring that Britam will continue to prosper for the benefit of all our stakeholders.

Benson I. Wairegi
Group Managing Director
6 March 2014

Mpendwa Mwanahisa,

Nina furaha kukuwasilishia ripoti kuhusu utendakazi na mapato ya kampuni hii mwaka wa fedha - 2013.

TATHMINI YA UCHUMI

Utendakazi wa kampuni hii kiuchumi/kifedha hutegemea sana mazingira imara ya kisiasa na uchumi uliopanuka katika maeneo tunakotoa huduma.

Hali ya ukuaji wa uchumi katika kanda ya afrika mashariki hususan Kenya, Uganda, Sudan Kusini na Rwanda ambapo Britam hutoa huduma zake, ilikuwa bora kijumla mnamo mwaka 2013 ambapo mataifa haya yote yaliandikisha ukuaji mkubwa kiuchumi. Mazingira bora kiuchumi yaliwezesha kampuni hii kukua katika masoko yake palipo na biashara yake.

Katika soko letu kuu ambalo ni Kenya, mkusanyiko wa jumla ya riba na kuimarika kwa soko la mtaji, vilichangia ukuaji mkubwa katika uwekezaji kiuchumi na hatimaye kusababisha kuwepo kwa mauzo ya juu zaidi ya bidhaa zetu na mapato makubwa tuliyoshuhudia katika mwaka wa 2013.

Katika nchi ya Uganda, bei ya chini ya bidhaa na kuimarika kwa thamani ya pesa kukiwemo pia kupanuka kwa uchumi, kulitoa msingi bora zaidi kwenye mapato yetu ya juu tuliyoshuhudia katika masoko.

Uamuzi/wazo la kampuni hii ya Britam kuwekeza katika taifa la Rwanda kulichochewa na ukuaji thabiti wa uchumi ambao Rwanda inaendelea kushuhudia. Ingawa ukuaji wa uchumi thabiti mwaka 2013 ilivyoshudiwa mwaka 2012, tuna imani kwamba uchumi wa Rwanda utaendelea kunawiri ili kusaidia katika huduma na bidhaa za britam katika mwaka 2014 na kuendelea.

Muda mchache kabla ya ghasia mwezi Desemba mwaka 2013, uchumi wa Sudan Kusini ulikuwa sawa. Bei za bidhaa zilikuwa chini kwa sababu ya thamani ya chini pesa ya nchi hiyo, na hii ilisababisha mazingira bora kwa Britam kuwekeza na kukua. Hata hivyo, kulipuka kwa ghasia kuliathiri sana uchumi na athari za ghasia hizi zinaweza kushuhudiwa mwaka 2014. Ilivyoonyeshwa hapa juu, vita vimeathiri uchumi wa taifa la Sudan Kusini. Kutokana na mtazamo wa watu na pia upande wa utendakazi, nina furaha kusema kuwa tulifanikiwa kuokoa wafanyikazi wetu kutoka Sudan Kusini kufuatia kulipuka kwa ghasia mjini Juba. Pia nina furaha kuripoti kuwa wafanyikazi wetu walirudishwa Sudan Kusini mapema mwaka 2014 na kazi ilionekana kuwa na athari ndogo, isipokuwa mwezi Desemba mwaka 2013 na Januari 2014. Juhudi za kudumisha amani zinaendelea kushuhudia matunda ama ufanisi na ni matumaini yetu kwamba utulivu utarudi na uchumi na biashara, vyote vitaendelea kama kawaida.

MATOKEO YA KAMPUNI/MAPATO YA KAMPUNI

Kama kampuni ya uwekezaji, utendakazi wetu katika biashara ni jumla ya utendakazi katika biashara yetu na ile ya kampuni yenyewe. Tumeunda/ tumetengeneza na tunaenndelea kutekeleza mkakati ambao unatoa nafasi kwa kampuni bora ya maswala na huduma za kiuchumi ambayo hutoa huduma ya thamani kubwa kwa wanahisa.

Utendaji mzuri na utekelezaji wa mkakati wa kampuni hii kushirikiana na mazingira bora ya soko la mtaji vimetuwezesha kuandikisha matokeo mazuri mwaka 2013. Kampuni hii ilitengeneza faida ya Shilingi bilioni 3.2 mwaka 2013 kabla ya kutozwa kodi ikilinganishwa na faida ya Shilingi bilioni 2.8 mwaka uliotangulia. Bima na utendakazi katika kampuni vyote viliandikisha faida ya asilimia 31% kutoka Shilingi bilioni 7.2 mwaka 2012 had Shilingi bilioni 9.5 mwaka 2013.

Biashara ya bima iliandikisha faida ya Shilingi bilioni 2.4 kabla ya kodi, ikiwakilisha nyongeza ya asilimia 64% mwaka 2012. Hii inahusisha faida kutokana na bima ya maisha ambayo ni Shilingi bilioni 1.94 (2012: Shilingi milioni 848) na bima jumla ya biashara iliyotupatia faida ya Shilingi milioni 491 (2012: Shilingi milioni 608). Kupungua katika faida za bima ya jumla inaelezwa katika matokeo ya Uganda, Rwanda na South Sudan mataifa yaliyo katika hali ya mwanzo kibiashara na yanatarajiwa kuchangia mapato makubwa miaka ijayo

Kampuni hii ya usimamizi wa mali, British-American Asset Managers Limited, ilipata faida ya Shilingi milioni 244 kabla ya kodi ikilinganishwa na Shilingi milioni 115.9 iliyopata mwaka 2012 sawa na ukuaji wa asilimia 110%. Faida hii kubwa ilipatikana kutokana na ongezeko la mapato la kutoka kwa Assets under Management (AUM) iliyokua hadi Shilingi bilioni 36.3 kutoka Shilingi bilioni 28.1 mwaka 2012, ongezeko la asilimia 29%; ni kutokana na mapato ya bidhaa mpya.

Ukuaji wa biashara hii katika kampuni hii ulitiwa nguvu kutokana na utendakazi mwema na usimamizi mzuri uliochangia mapato ya Shilingi bilioni 6.3 ikilinganishwa na Shilingi bilioni 5 zilizopatika mwaka 2012, ambapo hasara ya Shilingi bilioni 2.8 kinyume na Shilingi bilioni 2.0 mnamo mwaka 2012.

Hali ya kiuchumi ya kampuni hii inazidi kuimarika kwa faida ya Shilingi bilioni 46.9 (2012: Shilingi milioni 35.8) huku wanahisa wakiwa na Shilingi bilioni 17 (2012:Shilingi bilioni 12.5).

Kuambatana na mitazamo yetu katika kudumisha maendeleo kibiashara, kampuni iliendelea kuongeza matawi yake na pia wafanyikazi kama mojawapo wa njia za kufikia wateja wake mashinani kwenye magatuzi/kaunti kwa mujibu wa katiba mpya na teknolojia mpya. Hili lengo letu la uwekezaji limepelekea ukuaji wa utendakazi kwa asilimia 36% kutoka Shilingi bilioni 2.3 hadi Shilingi bilioni 3. Tunatarajia kupata mapato zaidi kutoka na uwekezaji huu miaka ijayo kupitia ushirikiano bora wa huduma ya wateja.

MKAKATI WA BIDHAA YETU

Bidhaa yetu ndiyo mkakati wetu ni amali muhimu zaidi ya kampuni yetu. Inahusisha thamani zetu na kututambulisha na huu ujumbe unawaendea washikadau:wateja wetu, wafanyikazi wetu, wawekezaji wetu na watu wote kwa jumla.

Nina furaha kwamba bidii yetu ya kuleta biashara yetu pamoja katika falsafa hii 'kampuni moja,bidhaa moja 'one company, one brand' ilituletea ufanisi mkubwa mwaka 2013. Tunaamini kuwa ni muhimu biashara kadhaa katika Kundi ziwasiliane na wadau kutumia lugha moja na zote zitambulike kwa njia moja inayowasilisha kutuhusu- mseto wa huduma za kifedha na msingi wa biashara zake ni bima, usimamizi wa mali, uadilifu wa kibinafsi, miliki na benki katika eneo.

MKAKATI WETU WA HABARI NA TEKNOLOJIA

Katika mwaka wa 2013 tulipiga hatua kutekeleza malengo yetu ya habari, eknolojia na mawasiliano(teknohama) iliyoleta mageuzi.

Mkakati huu hutambua wajibu mkubwa wa teknohama kwa kutoa msaada kwenye ukuaji wa biashara na utoaji wa huduma bora kwa wateja na washikadau. Mtazamo wetu mkuu mwaka 2013 ulikuwa ni kuweka msingi thabiti wa safari ya mageuzi katika idara ya habari na teknolojia kama njia moja ya kuifikiisha mbali na kuimarisha britam kufikia mwaka wa 2016.

Baadhi ya hatua zilizopigwa mwaka 2013 ni pamoja na kikosi kipya cha IT, cha kisasa, thabiti, na makinifu katika miundomisingi ya habari na teknolojia, kuhamia kwenye kituo kipya cha Tier IV Data, na pia kuanzisha ITIL-inayosimamia huduma, uongozi, utekelezwaji wa sekta ya habari na teknolojia.

Mwaka 2014, tutaendeleza mageuzi ya utekelezwaji wa habari na teknolojia.

Mpango wa mageuzi ya biashara kwa njia kiteknolojia unatarajiwa kuendelea kwa kipindi cha miaka 3 ijayo na bodi na wasimamizi wa kampuni wameweka uongozi bora ili kutimiza ndoto yao. Itakapomalizwa, huduma itatolewa kwa mteja kutoka kwenye upande mmoja kibiashara.

USTAWISHAJI WA UJENZI WA MAJUMBA

Ustawishaji wa majumba na uwekezaji ni moja ya mkakakti wetu muhimu tulioanzisha ulionuiwa kuongeza thamani kwa wanahisa wetu na vile vile kuzidisha itifaki yetu ya uwekezaji.

Ujenzi wa jumba ambalo ni alama muhimu la Britam Tower katika Upper Hill, Nairobi, eneo ambalo ni shina la shughuli za kifedha jijini, uliendelea. Jumba hili linatarajiwa kuwa la ghorofa 31 na ni alamisho la kandarasi ya Britama ya ujenzi wa majumba na linatarjiwa kukamilika mnamo 2016. Pindi jengo hili litakapokamilika litakuwa ndio la 3 refu zaidi Afrika, baada ya lile la Carlton Centre jijini Johannesburg na Hassa 11 Mosque jijini Casablanca, Morocco. Mnara huu, ukiwa na ghorofa thelathini na moja (31) jumba kiwa limesimama kwa urefu wa mita 130 juu ya ardhi na likiwa na injini ya upepo ya urefu wa mita 65 inayotarajiwa kutoa nguvu za stima kwa njia isiyodhuru mazingira na kutumika katika maeneo ya jumba hilo. Jumba hili limeundwa kwa nia ya kupendeza mno ili kutumia vizuri njia halisi za kupenyeza hewa na kutumia mwangaza wa mchana. Maji ya mvua yatakusanywa na kutibiwa ili kutumika kwenye mabustani na sehemu za msalani.

Pale litakapokamilika, jumba hili la kifahari litakuwa wazi kwa wanataka kukodisha likiwa na nafasi ya zaidi ya fiti 340,000 mraba likidhamiriwa wateja kutoka mashirika ya kimataifa, ofisi za kibalozi, mashirika ya kifedha na idara za seriakali.

MUUNGANO NA UMILIKAJI KAMPUNI ZINGINE

Acorn Group Limited

Kama moja ya utekelezaji mkakati huu, Kampuni hii ilipata kiasi cha 25% cha umiliki wa kampuni ya Acorn Group - kampuni inayoongoza katika usimamizi kandarasi na ustawishaji katika eneo hili. Umiliki huu umeshadidi mno uwezo wetu kufaidi fursa hii ya uwekezajil hapa Kenya ambalo ni eneo linastawi zaidi katika sekta ya ujenzi.

Acorn ina ujuzi mpana wa sekata hii ya ujenzi wa majumba na hivi sasa wako kandarasi 25 katika itifaki yao iliyo na thamani ya Shilingi bilioni 20 hapa Kenya, Uganda na Sudan Kusini.

Tulitambua ya kwamba ili kukuwa na kuimarika katika sekta hii ya ujenzi tutahitaji kuungana na kampuni kama hii ya ujenzi ya Acorn kukiwa na uwezo uwekezaji wa fedha nyingi Shirika la Britam pamoja uwezo wetu wa usimamizi rasilimali na uwekezaji na uwekaji muundo msingi katika ujenzi wa makao huku ikitiliwa nguvu na bidhaa zetu za kifedha na suluhisho za kifedha.

Muungano wa Britam na Acorn unaleta pamoja chapa mbili madhubuti za kibiashara, zenye rekodi nzuri iliyo wazi, ujuzi na uzoefu muhimu katika Nyanja mbali mbali za ustawishaji majengo, ikiwa ni pamoja na uwezi imara wa kutekeleza, ukushanaji rasilimali na uwekaji mikakati ya uwekezaji. Tunaamini kuwa kupitia ushirikiano huu tutaweza kutoa katika soko masuluhiso kamili amabayo pale mbeleni hayangewezekana kupatikana kwa wamiliki ardhi, wawekezaji, mashirika ya kifedha, hazina za kustaafu, na usimamizi wa rasilimali.

Umiliki katika Real Insurance Company ("REAL")

Katika kufuatilia mpango wetu wa kuwa shirika la kutoa huduma aina aina za kifedha, tulitia saini mkataba wa kununua hisa ili kumiliki 99% katika Kampuni ya Real Insurance Company ("REAL") mnamo Disemba 2013. Shughuli hii hatimaye iliidhinishwa na wanahisa katika Mkutano usiyo wa kawaida uliyofanyika mnamo 19 Februari 2014.

REAL inafahamika kuwa shirika muanzilishi katika sekta ya Bima ya hapa Kenya kwa vile ilianza shughuli zake mnamo 1910, inatoa huduma na bima kupitia matawi yake 15 yaliyoko jijini Nairobi na miji mengine mikubwa ya Kenya pamoja na kuwa kampuni tatu tanzu nchini Tanzania, Malawi na Mozambique.

REAL ni mshiriki wa mtandao wa ulimwenguni wa kampuni ya RSA (iliyokuwa ikijulikana kama Royal & Sun Alliance Insurance Group).

Umiliki huu utasababaisha kubuniwa kwa moja ya mashirika makubwa kuliko yote ya utoaji huduma za kifedha katika eneo hili, kukiwa na sughuli zake katika nchi 7 yaani Kenya, Uganda, Tanzania, Rwanda, South Sudan, Malawi na Mozambique.

Kukamilika kwa umilikaji huu kutakuwa ni alama muhimu mno ya mkakati wetu wa kukuza biashara yetu na kusambaza huduma zaidi katika maeneo haya ya Afrika. Mozambique ni moja ya masoko yanayokuwa kwa kasi zaidi katika Afrika huku ikishadidiwa kuweko kwa wingi wa mali ya asili ikiwa ni pamoja na kuweko kwa gesi na makaa mengi zaidi kuliko kote katika Afrika. Tanzania nayo kwa uapnde mwingine imebarikiwa kuwa na aradhi yenye rutuba na wingi wa namji na maadini ikijumuisha mali ya asili muhumi ya gesi na makaa. Malawi kwa kawaida ni nchi inayotegemea kilimo kwa uchumi wake na ni moja ya nchi zinazotoa chakula kwa wingi hapa Afrika.

UPANUZI KATIKA ENEO HILI

Tunaendelea kutekeleza mipango yetu ya kupanuka na kuenea katika eneo hili kuambatana na malengo yetu ya kuwa shirika kubwa zaidi la utoaji bima na usimamizi wa rasilimali katika eneo lote la Afrika Mashariki. Mwaka wa 2013 ulialamisha mwaka wa tatu wa Britam kuweko nchini Uganda na wa pili kuendesha shughuli zake nchini Sudan Kusini.

Shirika la Britam Insurance Company Limited - Rwanda lilianza shuguli zake katika robo ya tatu ya 2013 na tunafuraha kuwa dalili zaonyesha kuwa biashara huko italeta natija ya kupendeza.

USIMAMIZI WA WAFANYIKAZI NA UTENDAKAZI

Britam yaendelea kuwa shirika linaloendeshwa na matokeo na utendakazi bora. Lengo letu ni kuwa na wafanyikazi wenye hamasa na wanaojishulighulisha kwa dhati na kuzingatia malengo ya kampuni pamoja na yao binafsi. Mpangilio wa Balanced Scorecard wa kunakili utendaji bora wa wafanyikazi tayari sasa ushatekelezwa kikamilifu kama kigezo cha usimamizi wa utendakazi katika Shirika.

Katika ufuatiliaji ubora, kampuni katika miaka mine iliyopita imeshiriki katika mashinado ya upimaji ubora ya Organisation Performance Index (OPI) ambachi ni kigezo kianchokadiria njia za usimamizi katika kila muktadha. Mpango huu husimamiwa idara ya Kenya Institute of Management (KIM) na Britam ilitukuzwa na kutunukiwa nishani zifuatazo katika 2013:

1. Shirika bora zaidi la mwaka (Company of the Year);
2. Aisa Mkuu Mtendaji bora zaidi wa mwaka (CEO of the Year);
3. Uongozi na Usimamizi bora (Leadership and Management); na
4. Uhusiano bora na Mauzo (Customer Relationship and Marketing).

Tulijawa na furaha kuu kwa kutambulika huku na hii inathibitisha ya kuwa mifumo yetu ya kazi inakaribia ile ya haadhi ya kimataifa.

Ili kuambatisha shughuli zetu za biashara na mahitaji ya wafanyikazi wajuzi, tulitekeleza mfumo wa kwanza wa mango uitwao Target Operating Model ambao huhusisha kuanzishwa kwa matawi ya nje na katika eneo na kubuniwa kwa wadhifa wa Msimamizi Mkurugenzi wa Bima wa Eneo – jukumu lake likiwa ni kusimamia shughuli za bima za shirika. Mfumo utakaofuatia utakuwa ni usimamizi bora wa Huduma za Kugawanywa na kuweka mahala pamoja kituo cha huduma kwa wateja ili kumshughulikia vyema zaidi mteja.

Tutaendelea kuwekeza katika wafanyikazi bora kupitia uongozi, ufundi na mafunzo ya ujuzi na maendeleo ili kuwahami wafanyikazi wetu na ujuzi bora ufaao.

Jumla ya wafanyikazi wetu sasa imeongezeka hadi wafanyikazi 501 staff, 39 wao wakiwa wanafanyakazi katika Ofisi zetu zetu za Eneo za Uganda, Sudan Kusini na Rwanda. Vile vile tuliongeza idadi ya washauri wa kifedha kwa zaidi ya 1,570. Ongezeko hili la wafanyikazi lilikuwa nukta muhimu katika mkakati wetu wa kupanuka hapa na katika eneo.

USIMAMIZI DHIMA YA SHIRIKA

Tunatambua usimamizi dhima katika shirika kuwa kiungo muhimu sana cha shughuli za biashara yetu na kuwa ni mchango mkubwa katika kudumisha ubora wa biashara yetu na ulinzi kwa thamani ya wanahisa. Baada ya ukariri huru kufanywa kwa usimamizi wa dhima kote katika kundi letu tunaendelea kuboresha usimamizi shirika, usimamizi wa dhima na uthibiti wa mifumo ya ndani na tunaendelea kutekeleza mfumo usimamizi dhima na mashaka uitwao Enterprise Risk Management Framework.

Kupitia mfumo wetu wa usimamizi wa dhima katika shirika, tunataka kutoa uhakikisho maridhawa wa kuwa malengo ya biashara yetu yanaweza kutimizwa na ahadi yetu kwa wateja, wanahisa, wafanyikazi na jumuiya kwa ujumla kutekelezwa vyema. Bodi ya Wakurugenzi na Wasimamizi wa Shirika wanaahidi kuwa watageuza kabisa jinsi dhima ya shirika inavyosimamiwa na tunaamini kuwa mikakati inayotekelezwa hivi sasa na ile iliyopangiwa kwa kipindi hiki itaweza kuifanya Shirika kufikia viwango vipya vya upevu na uthabiti katika mipango ya usimamizi dhima ya shirika.

UWAJIBIKAJI SHIRIKA KATIKA JUMUIYA

Uwajibika Shirika katika jumuiya huonyesha jinsi mashirika yametimiza viwango vilivyo bora vya maadili na mizania ya uchumi, mazingira na uwajibikaji katika maswala ya kijamii uliyonuiwa kuangazia mashaka na matarajio ya wanahisa wake. Kama shirika lilio raia mwema, Britam limetambua haja ya kujumuika na wananchi wake walio wengi na wanahisa kupitia mipango ya kijamii ili kudumisha uhusiano mwema kote katika shughuli zake.

Jukumu muhimu ka Britam kwa washikadau wake ni kufanya kazi kwa karibu nao ili kufuatilia uboreshaji na utekelezaji wa maadili ya shirika na kupitia njia bora zaidi zinazokubalika za biashara ili kudumisha jumuiya iliyo na mafanikio. Mkakati wetu wa kudumu ni kujihusisha na mpango wa huduma kwa jamii ambao tunaamini sio tu wa manufaa kwa washikadau wetu bali pia utatilia nguvu mkakati mzima wa shirika kwa kutumia maeneo yetu muhimu kama nyenzo.

Taasisi ya Britam Foundation ndiyo chomo ambacho shughuli zote za Shirika katika maswala ya kijamii na huduma za kudumisha zitapitishwa na kutekelezwa. Taasisi hii, itakapoanza kazi rasmi hatimaye mwakani, itatoa mwongozo wa jinsi ya udumishaji wa mipango utajumuishwa katika shughuli zote za kibiashara. Taasisi hii itakuwa chombo muhimu cha kutambua kwa undani shughuli za kusaidia jamii zinazohitaji kuruzukiwa fedha, na pia kusaidia kutekelezwa kwa mipango hiyo ya kijamii.

MATARAJIO KATIKA SIKU ZIJAZO

Ukuaji katika ulimwengu unatariwa uimarika taratibu katika 2014 pale vikwazio vya kuichumi vitakapooanza kupungua, kulinagana na taarifa ya IMF, upataji afueni huu utarajiwa kuanaza taratibu.

Makadirio zaidi yanaonyeshakuwa eneo hili la Afrika Mashariki lina uwezekano wa kudumisha ukauji huu wa kiuchumi pamoja na mataifa mengine ya Afrika, kukiwa ukuaji thabiti ukitarajiwa kuweko kutoakana na ongezeko la faida ya mali za asili, kuongezeka mahitaji ya humo na kuongezeka kwa watu wa mapato ya kati, kuongezeka mahitaji ya muundo msingi, muzidi kwa uwekezaji wa moja kwa moja kutoka nje na fedha zinazotumwa na wananchi wanoaishi nje.

Uchaguzi mkuu uliyokuwa wa amani wa hivi punde hapa Kenya unatarajiwa kuchochea zaidi ukuaji wa uchumi katika masoko yetu muhimu.

Tunapoenda mbele, tuko na matumaini kuwa katika kufaulu kwa utekelzaji wa mipango yetu, Britam itafaidika mno ukuaji wa mapato yaani GDP katika maeneo tunakoendesha biashara yetu.

SHUKRANI

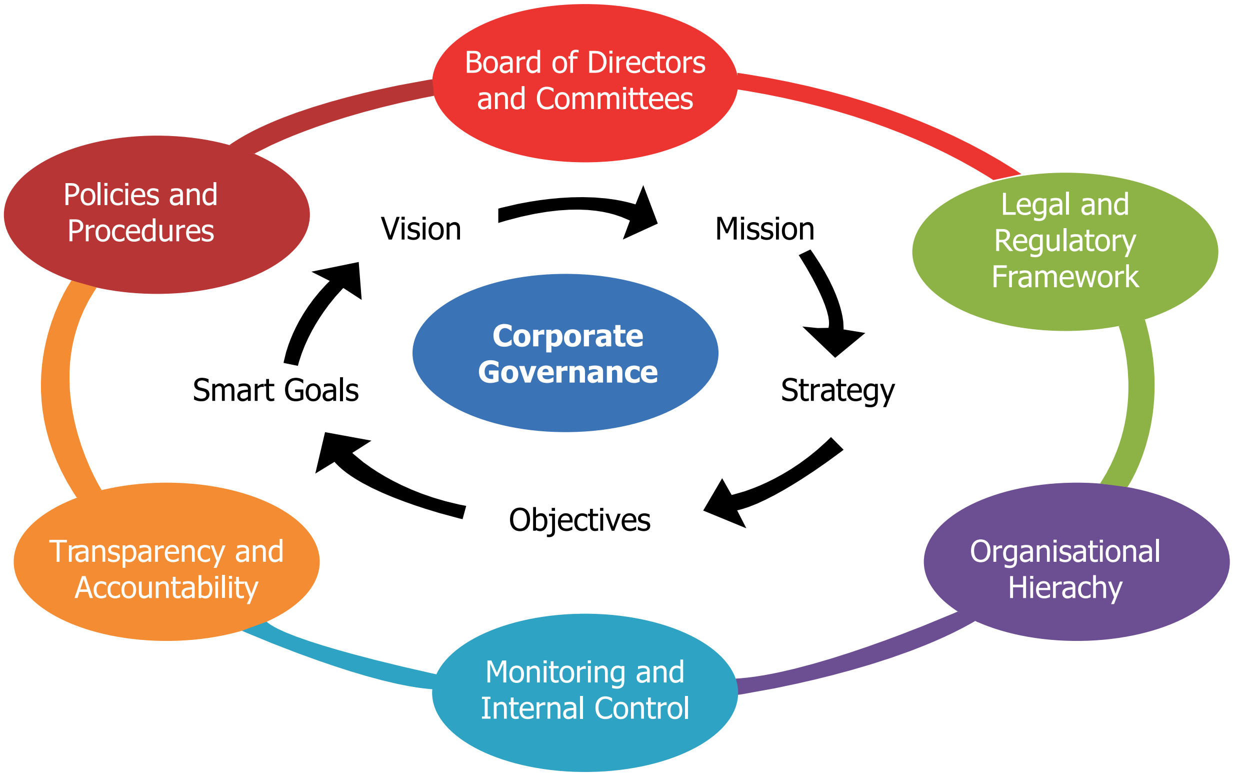
Matokeo haya bora zaidi ya biashara yetu katika mwaka tunaozungumzia yalitokana na uungwaji mkono tunaoendelea kuupokea kutoka kwa wateja wetu watukufu na washirika wetu wa kibiashara. Tunawashukuru kwa usaidizi huo na tunatazamia kuendelea kufanya kazi pamoja nao tukiwasaidia kutekeleza vyema zaidi mahitaji yao ya usalama wa fedha zao na malengo ya kuweka.

Vile vile ningependa kutoa shukrani zangu za dhati kwa Kundi la Wasimamizi, Wafanyikazi wetu na Wasahuri wa maswala ya Kifedha kwa kufanya kazi kwa bidii, kwa hamasa na kujitolea katika mwaka tunaoukaririaa. Kujitolea huko kwao kumechangia pakubwa katika kuhakikisha kuwa Britam itaendelea kufanikiwa zaidi na kufaidi washikadau wetu wote.

Benson I. Wairegi
Mkurugenzi Mkuu wa Shirika
6 Machi 2014

GROWTH

Britam's growth strategy is focused on local and regional expansion, property development and local acquisitions. The recent acquisition of Real Insurance Company fulfils this strategy for Kenya & Africa and permits the Company to enter into some of the highest growth markets in Africa namely, Mozambique and Tanzania.



At British-American Investments Company (Kenya) Limited, we are committed to the highest standards of corporate governance and business ethics. Recognizing that good corporate governance is key to the enhancement of our business performance, the Board of Directors seeks to discharge its duties and responsibilities in the best interest of the Group, its shareholders, customers, business partners and the wider community. Our corporate values and ethics are entrenched in our strategic and business objectives and are focused on transforming and accelerating growth in value for the benefit of all our stakeholders.

BOARD OF DIRECTORS

The Board of Directors normally meets at least once every quarter and is chaired by a non-executive Chairman. The Board comprises one executive and ten non-executive Directors, each of whom brings a wide range of skills and experience, independent judgement and a considerable knowledge to the board's discussions.

The Board has a formal schedule of matters reserved for it. The Directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters.

Ultimately, the Board determines the Group's strategic objectives, values, key policies and procedures in accordance with best practice. It is responsible for establishing and maintaining the overall internal controls of financial, operational and compliance functions as well as monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of the Group to the Group Managing Director. However, it retains overall responsibility for the Group's financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring competent management of the business.

Under the leadership of the Group Managing Director, the role of corporate management is to conduct the day-to-day operations of the Group in a way that is consistent with the strategic plans, business plans and budgets approved by the Board. In this context, the Group Managing Director makes recommendations to the Board with respect to matters of corporate strategy and policy. The Board then makes the decisions which it deems appropriate and supervises the execution of such decisions and reviews the results obtained.

Amb. Dr. Francis K. Muthaura, MBS, EGH (Non-Executive – Chairman)

Amb. Dr. Muthaura, a career diplomat and civil servant, was first appointed to the Britam Board of Directors on 15th August 2013. Until his retirement in 2012, Amb. Dr. Muthaura was the Permanent Secretary, Head of Public Service and secretary to the Cabinet, Government of Kenya.

He had earlier served as Permanent Secretary in the Ministries of National Security; Environment, Water & Natural Resources; and Information, Transport and Communication. He was the founder Secretary General of the East African Community and Ambassador & Permanent Representative of Kenya to the UN in New York. Amb. Dr. Muthaura was also the Ambassador of Kenya to the European Union, the Kingdom of Belgium and Luxembourg.

He holds a Bachelor of Arts Degree in Economics, Political Science; a Post Graduate Diploma in International Relations, University of Nairobi and a holder of Honorary Doctorate Degree from Kenyatta University and the Kenya Methodist University.

He has vast public and private sector management and leadership experience gained through assignments both locally and internationally. He is also the chairman of the LAPSSET Corridor Development Authority.

In recognition of his distinguished public service, he was awarded "Moran of Burning Spear" by the retired President Daniel Arap Moi and the "Elder of Golden Heart" by the retired President Mwai Kibaki.

Benson I. Wairegi, EBS (Group Managing Director)

Mr. Wairegi holds a Master of Business Administration degree and Bachelor of Commerce degree from the University of Nairobi and is a Certified Public Accountant. He is the Vice-Chairman of Equity Bank Limited and also a Director of Housing Finance Company of Kenya Limited (HF). He is the Chancellor of Kenyatta University and former chairman of the Association of Kenya Insurers (AKI) and former board member of the Board of Trustees of the Insurance Training and Education Trust (ITET).

Peter K. Munga, CBS (Non-Executive Director)

Mr. Munga is a retired Deputy Secretary in the Government of Kenya. He holds an Honorary Doctorate in Business Administration (Honoris Causa) from United Graduate College and Seminary. He is a Certified Public Secretary with vast experience in both public and private sector management. He also holds the Yara Prize for a Green Revolution in Africa Laureate 2009 award.

Mr. Munga is the Chairman of Equity Bank Limited, Chairman of National Oil Corporation of Kenya (NOCK), Chairman of Micro-Enterprise Support Programme Trust (MESPT), Chairman of Kenya Genetic Resource Centre (KAGRC), chairman of Equatorial Nut Processors Ltd and Chairman of Fresho International Limited. He is an enterprising businessman and runs the Pioneer Group of Schools.

Jimnah M. Mbaru, EBS (Non-Executive Director)

Mr. Mbaru is the Chairman of Dyer and Blair Investment Bank Limited and Jitegemee Trust. He is also a Director of several other financial and non financial institutions.

He is a former chairman of the African Stock Exchanges and is a current member of National Economic and Social Council. He is also an associate Professor, graduate school of business, University of Stellenbosch Business School, South Africa. Mr. Mbaru holds a Master of Business Administration from IMD formerly IMEDE in Lausanne, Switzerland, a Bachelor of Commerce degree and a Bachelor of Laws degree both from the University of Nairobi.

Dr. James N. Mwangi, CBS (Non-Executive Director)

Dr. Mwangi is the CEO and Managing Director of Equity Bank Limited. He holds five honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree from the University of Nairobi and is a Certified Public Accountant. Dr. Mwangi has been honoured thrice with Presidential national awards. He is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona, Spain).

He was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration - the highest presidential award to a civilian, for outstanding contribution in economic development. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030 and Chancellor of Meru University of Science and Technology.

He serves on several international bodies as an advisor or board member. He has wide experience in the banking industry and inclusive finance.

Nduva Muli, EBS (Non-Executive and Independent Director)

Mr. Muli is the Principal Secretary ministry of Transport and Infrastructure and the former Managing Director of Kenya Railways Corporation.

He holds an Executive Master of Business Administration from Moi University, Nairobi Campus, a Bachelor of Land Economics from University of Aberdeen, Scotland and has done various leadership and management programmes from Cornell University.

Bocar E. Dia (Non-Executive and Independent Director)

Mr. Bocar is currently an international consultant for UNDP, UNICEF and UN Aid and acts as the Chairperson for Network System Area, Societe de Batiments et Travaux Publiques and Amayelle Transport, three Senegal-based companies. He has worked extensively for UNESCO occupying several senior posts. He also taught Economics and International Relations at the University of Montreal in Canada.

Mr. Dia holds a Master of Political Science and Bachelor of Political Science degree from University of Montreal, Canada. He also holds an honours degree in International Economics and International Relations.

Agnes N. Odhiambo (Non-Executive and Independent Director)

Mrs. Odhiambo is the Controller of Budget of the Republic of Kenya and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She also serves as a board member of Kenya women microfinance bank. She is a former Chief Executive Officer/ Secretary to the Constituencies Development Fund Board.

Mrs. Odhiambo holds a Master of Business Administration degree and a Bachelor of Commerce degree from the University of Nairobi and is a Certified Public Accountant of Kenya.

Dawood A. Rawat (Non-Executive Director)

Mr. Rawat is currently the Chairman of Seaton Investment Ltd, Mauritius and he has extensive experience in the Financial Services sector. He served as the Chairman of the British-American Group of Companies, founded in The Bahamas in 1920. He is now Chairman Emeritus of all The Companies of the Group. He has been the Chairman of the Board of British-American Investment Co. Mauritius Ltd. since 2002. He has served as the Chairman of the Boards of Iframac Limited and Courts (Mauritius) Ltd. He has been the Chairman of GlobalCapital p.l.c., since October 4, 2012. He served as the Chairman of the Board of Mauritius Leasing Co. since 2005. He has been a Non-Executive Director of The Mauritius Leasing Company Limited since 1997. Mr. Rawat has been a Non-Executive Director of Global Capital plc. (alternatively, Global Financial Services Group Plc and Bahamas and Malta) since March 2003 and Bramer Banking Corporation Ltd. since April 01, 2008. He was instrumental in the establishment of the Mauritian Insurance Association. He is a Member of the British Institute of Management and British Institute of Marketing.

Tarun Ghulati (Non-Executive Director)

Mr. Ghulati is a British citizen and holds a Masters in Business Administration. He has extensive international leadership experience gained through assignments at a country, regional and global level with Citibank, HSBC, ING and UTI International Ltd. Mr. Ghulati was part of the very select international cadre with HSBC, and has worked in numerous countries across Asia, Europe, the Middle East and Africa.

His experience in strategy development and relationship building with high net worth individuals in the Private Equity, mergers and acquisitions will be invaluable to the Britam Group as it sets out on an ambitious pan-African regional expansion strategy and portfolio diversification.

Mr. Ghulati is the Group President and Chief Executive Officer of Bramer Corporation Limited and provides leadership to the Presidents and Chief Executives of BAI Co (Mtius) Ltd, Bramer Banking Corporation Ltd, Bramer Asset Management Ltd, Bramer Capital Brokers Ltd and Bramer Global Services Ltd. He is also the Vice Chairman of Bramer Banking Corporation Ltd and a director on over 25 subsidiary Boards of the British-American Group.

Mr. Ghulati is a committee member and Deputy Chairman of the London Chamber of Commerce Asian Business Association, a member of the UK Trade & Investment Global Entrepreneur India Advisory Group and a former board member of The Indus Entrepreneurs (TiE).

Moussa I. Rawat (Non-Executive Director)

Mr. Rawat was appointed as Director of British-American Investment Co. (Mauritius) Ltd on 14 February 2012. He holds a Bachelor (Hons) Civil Engineering from Edinburgh University (UK), Mr. Moussa Rawat started his career as a graduate structural engineer at Limbada and Limbada in 1999 and later joined the textile industry as Project Engineer. In 2001, he moved to DTP Terrasement Bouygues Travaux Publique, Joint Venture at the Midlands Dam project (Mr.U) and Route National Ngaoundere Touboro Road in Cameroon, as Head of Quality Control and Acting Quality Assurance Manager.

Mr. Moussa Rawat joined IREKO Group in 2004 as Contract Manager and in 2010 assumed the role of CEO of IREKO Holdings Ltd. He lead IREKO Group whilst being involved in the construction of Apollo Bramwell Hospital. In February 2012, Mr. Rawat was appointed as Chairman of Bramer Services Group Limited and Chairman of Bramer Corporation Limited in June 2012.

Nancy K. Kiruki

Mr.s. Kiruki is the Company Secretary and holds a Bachelor of Laws degree (LL.B) from the University of Nairobi and a Master of Laws degree (LLM) from the University of Cape Town. She is an advocate of the High Court of Kenya, a Commissioner of Oaths, Notary Public, a Certified Public Secretary and a Certified Human Resources Manager from the International Academy of Business & Financial Management. She is also the Director; Legal and Human Resources. She joined the group in 2008.

BOARD MANAGEMENT

Board Composition and Appointment

The Board of Directors consists of the Chairman, who has non-executive responsibilities, seven non-executive directors and one executive director. Four of the non-executive directors are considered Independent Directors. The Board maintains effective control over strategic, financial operational and policy issues.

The Directors have a wide range of skills and experience and each contributes independent judgment and knowledge to the Board discussions.
On appointment, each Director is provided with a comprehensive and tailored induction process covering the Group's business and operations and provided with information relating to their legal and regulatory obligations.

All non-executive Directors are required to submit themselves for re-election in accordance with the Company's Articles of Association.

Board Meetings - Information for Directors

The Board deals with all significant matters including strategic direction for the Company and Group; ensuring competent management of the business; internal control; compliance with laws and regulations and reporting performance to shareholders.

The directors are given appropriate and timely information on key activities of the business regularly and on request in order to carry out their roles. Specifically the directors are provided with all available information in respect of items to be discussed at a meeting of the Board or committee prior to the meeting. The Board members have open access to management through the Chairman, Group Managing Director and Company Secretary. Regular presentations are made by management to the Board and Board Committee meetings and directors may seek briefing from management on specific matters as well as seek independent professional advice.

Oversight role of the Board

The board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the Group. The responsibilities of the Board are clearly spelt out in both the Articles of Association of the Company and the Board Charter.The Board defines the purpose of the Company, its strategic intent, objectives and its values. It ensures that procedures and practices are in place to protect the Company's assets and reputation.

The Board retains full and effective control over the Company and monitors Management's implementation of the plans and strategies set by the Board; it ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics. It strives to act above and beyond the minimum requirements and benchmark performance against best international practices.

In accordance with the principles of good corporate governance, each Director undertakes to always act in the best interest of the Company and exercise his/her power in the execution of duties in good faith and acts with care and prudence.

Each Director is fully aware that the Board is responsible for determining the Company's vision, mission and values, deciding its strategic objectives, ensuring establishment of the organisational structure and procedures to achieve the objectives, ensuring effective control over the Company and accounting to its shareholders.

Separation of roles of Chairman from Chief Executive

The Chairman is responsible for managing the Board and providing leadership to the Group while the Group Managing Director is responsible to the Board for strategically overseeing and managing the business units in the Britam Group in accordance with instructions given by the Board.

The Group Managing Director directs the implementation of Board decisions and instructions and the general management of the business units with the assistance of the management teams.

Conflict of Interest

The directors of the company are under a fiduciary duty to act honestly and in the best interests of the Company. Any business transacted with Britam must be at arm's length and, fully disclosed to the Board, which must consider and approve it. A director must refrain from discussion or voting on matters of potential conflict of interest.

Board Evaluation

In pursuit of the objective promoting board effectiveness, the board undertook a self evaluation exercise facilitated by a consultant. The recommendations from this evaluation are being considered with a view to implementing them.

COMMITTEES OF THE BOARD

The Board is responsible for the management of the Group. It has delegated the detailed discussions to eight committees: Audit Committee, Investments and Strategy Committee, Risk and Compliance Committee, Compensation and Human Resources Committee, Nominations and Governance Committee, ICT Steering Committee, Property Committee and Procurement Committee which have specific and detailed terms of reference as summarized below:

Audit Committee

The members of the Audit Committee are:

- Agnes N. Odhiambo - Chairman
- Dr. James N. Mwangi
- Nduva Muli

The Audit Committee meets at least thrice a year, with authority to convene additional meetings, as circumstances require. Its primary responsibilities are to assist the Board in ensuring integrity of the Group's financial statements, review the Group's internal control systems, monitor and review the effectiveness of the internal audit function, make recommendations to the board in relation to the appointment of the external auditor and ensuring the Group's compliance with legal and regulatory requirements.

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.

The Audit Committee regularly reports to the Board about committee activities and issues that arise with respect to the quality or integrity of the Group's financial statements, compliance with legal requirements, performance and independence of the Group's independent auditors, and the performance of the internal audit function. The Group Internal Audit Manager acts as the secretary of the committee and senior management regularly attend the committee meetings.

Investments and Strategy Committee

The Investments and Strategy Committee meets at least three times a year or at such other times as the Chairman of the Committee shall require. Its primary purpose is to determine the Group's investment strategy and policy and to consider the proposed strategic investments and make recommendation to the Board. It also maintains an interactive strategic planning, implementation and monitoring process with management.

The members of the Investments and Strategy Committee are:

- Peter K. Munga - Chairman
- J. Nicholas Ashford-Hodges - (Resigned – 28th November 2013)
- Amb. Dr. Francis K. Muthaura - Chairman (Appointed – 28th November 2013)
- Jimnah M. Mbaru
- Benson I. Wairegi
- Dr. James N. Mwangi

Risk and Compliance Committee

The Committee meets at least three times a year or at such other times as the Chairman of the Committee shall require. Its primary purpose is to develop and implement risk management framework, policies, procedures and standards. It also monitors the Group's compliance with the relevant laws and regulations and reviews management's implementation and maintenance of appropriate systems, procedures and Codes of Conduct in accordance with the Group's policy guidelines regarding identification, analysis, mitigation and control of risks.

The members of the Risk and Compliance Committee are:

- Bocar E. Dia
- Nduva Muli - Chairman

Compensation and Human Resource Committee

The Committee meets at least three times a year or at such other times as the Chairman of the Committee shall require. Its primary role is to support the Company's strategic plan of ensuring that there is an empowered, motivated and productive workforce in a 'one company one culture' environment. Further, it will recommend the remuneration for non-executive directors, appraise the performance of senior management and determine their remuneration as well as establish the overall staff remuneration budget including performance bonus pools for approval by the Board. The committee will also ensure implementation and compliance with the Human Resources Policies and Procedures and recommend to the Board relevant reviews.
The members of the Compensation Committee are:

- J. Nicholas Ashford-Hodges - Chairman (Resigned – 28th November 2013)
- Amb. Dr. Francis K. Muthaura - Chairman (Appointed – 28th November 2013)
- Peter K. Munga
- Bocar E. Dia
- Jimnah M. Mbaru

Nomination and Governance Committee

The Committee meets at least three times a year or at such other times as the Chairman of the Committee shall require. Its main role is to review and consider proposals for the appointment of new directors and is chaired by the Chairman of the Board. The Committee shall also ensure that the Group adheres to the Corporate Governance Guidelines.

The members of the Nomination & Governance Committee are:

- J. Nicholas Ashford-Hodges - Chairman (Resigned – 28th November 2013)
- Amb. Dr. Francis K. Muthaura - Chairman (Appointed – 28th November 2013)
- Dawood A. Rawat
- Jimnah M. Mbaru
- Peter K. Munga
- Bocar E. Dia

ICT Steering Committee

The ICT Steering Committee meets at least three times a year or such other times as the Chairman of the Committee shall require. Its primary purpose is to oversee the implementation of the ICT strategy.

The members are:

- Nduva Muli - Chairman
- Benson I. Wairegi
- Dr. James N. Mwangi

Property Committee

The primary responsibility of the Property Committee is to provide oversight on the real estate development projects undertaken by the Group as well as drive the strategy of the Group with regard to real estate developments.

The members of the Property Committee are:

- Nduva Muli - Chairman
- Jimnah M. Mbaru
- Peter K. Munga
- Benson I. Wairegi

Procurement Committee

The Committee was formed in March 2013. It will be required to meet at least thrice a year or at such other times as the Chairman of the Committee shall require. Its primary mandate is to develop and implement procurement management framework, policies, procedures and standards and ensure adherence to the requisite policies and procedures. It will regularly review, discuss and suggest revisions to the company's tendering and procurement policies and procedures. It is further mandated to ensure that there is compliance with the laid down tendering and procurement policies and establishes the need for goods and services and plans for the same ensuring value for money. It shall also evaluate the criteria for vetting suppliers wishing to be included in the list of suppliers.

The members of the Procurement Committee are:

- Peter K. Munga - Chairman
- Agnes N. Odhiambo
- Nduva Muli

BOARD COMPOSITION AND REMUNERATION

Review of Attendance

Names of the board members together with an analysis of board subcommittee members are as detailed in the table below.

	Board Sub-Committees											
	Holding Company	Audit	Risk & Compliance	Investments & Strategy (Holding Co.)	Nominations & Governance	Property	ICT Steering	Compensation & HR	Procurement	Total Meetings Held	Total Attended	% Attendance
Meetings Held	7	4	2	6	7	5	2	5	2	40		
J. Nicholas Ashford -Hodges (Resigned 28th Nov. 2013)	7	N/A	N/A	6	7	N/A	N/A	5	N/A	25	25	100%
Amd. Dr. Francis K Muthaura (Appointed 15th August 2013)	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4	100%
Peter K. Munga	5	2	N/A	6	6	5	N/A	4	1	35	29	83%
Jimnah Mbaru	6	N/A	N/A	2	5	2	N/A	N/A	N/A	25	15	60%
Benson I. Wairegi	7	N/A	N/A	6	N/A	5	2	N/A	N/A	20	20	100%
Dr. James N. Mwangi	2	2	N/A	3	N/A	N/A	0	N/A	N/A	18	7	39%
Saleem R. Beebeejan (Resigned 22nd May 2013)	0	0	1	0	N/A	N/A	N/A	N/A	N/A	4	1	25%
Bocar E. Dia	6		2	N/A	6	N/A	N/A	5	N/A	21	19	90%
Nduva Muli	5	2	2	N/A	N/A	4	2	1	1	24	17	71%
Tarun Ghulati (Appointed 23rd May 2013)	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	3	75%
Moussa I. Rawat (Appointed 28th August 2013)	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	1	50%
Agnes N. Odhiambo	4	4	N/A	N/A	N/A	N/A	N/A	N/A	2	13	10	77%
Dawood A. Rawat (Appointed 29th November 2013)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Remuneration of the Directors

In determining the remuneration of the Directors, the demands and requirements made of the Directors in relation to the Group's business and the availability of the Directors to consult on ad hoc basis are considered.

Sitting allowances to the Directors are only paid subject to attendance at the Board/Committee meetings. The emolument and fees paid to Directors are disclosed in note 32(iv). It is the opinion of the board that the directors' remuneration is sufficient to attract and retain directors to run the company effectively and is competitively structured.

BOARD OPERATIONS

Professional Advice

In order to carry out its responsibilities in an independent and objective manner, the Board seeks professional counsel from among others;

Actuaries: Mr. P.C. Falconer of Aon Hewitt Actuarial acts as the insurance company's statutory actuary responsible for independently examining the financial soundness of the company. The actuary reports independently and directly to the Board. Mr. R. Leiser-Banks of Triangle Actuarial Services provides actuarial services in regard to the Britam Group employee pension scheme.

Tax advisors: PricewaterhouseCoopers are the Group's independent tax advisors. They liaise with management to ensure that the Group optimises its tax position and complies with all tax laws and regulations.

Risk management: In 2010- 2011 the Group developed an Enterprise Risk Management Framework with the assistance of Deloitte Consulting Limited. Implementation of that framework has been ongoing since. However, in light of the changing regulatory environment, particularly in the area of risk management and compliance, we will continue to involve professionals to ensure that our risk management programs are in line, not only with the regulatory requirements but also in line with best practice.

Property development: Acorn Management are serving as the consultants for the current main property development project.

Conduct of Business and Performance Reporting

The Group's business is conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed monthly and quarterly by the management teams in the Group.

Compliance with Laws

The Board is satisfied that the Group has, to the best of its knowledge, complied with all applicable laws and conducted its business affairs in accordance with the law. To the knowledge of the Board, no director, employee or agent of the Group acted or committed any indictable offence under the Anti Corruption laws in conducting the business of the Group nor been involved or been used as conduit for money laundering or any other activity incompatible with the relevant laws. The Company Secretary is responsible for ensuring that all the Board procedures, corporate governance policies, rules and regulations are followed.

Company Secretary

All directors have access to the services of the company secretary who is responsible for ensuring that meeting procedures are followed and plays an active role in the facilitation of the induction of new directors and the improvement and monitoring of corporate governance processes.

Directors' Shareholding

No.	Names	Roles	Shares
1	Amb. Dr. Francis K. Muthaura	Chairman	-
2	Benson I. Wairegi	Group Managing Director	100,298,400
3	Jimnah M. Mbaru	Director	219,300,000
4	Peter K. Munga	Director	75,000,000
5	Dr. James N. Mwangi	Director	75,000,000
6	Saleem R. Beebeejaun [Resigned in 22 May 2013]	Director	-
7	Nduva Muli	Director	-
8	Bocar E. Dia	Director	-
9	Agnes N. Odhiambo	Director	-
10	Dawood A. Rawat	Director	-

OPERATIONS GOVERNANCE

Governance of Information Technology

Information security governance is the responsibility of the board of directors and senior executives. It is an integral and transparent part of enterprise governance and is aligned with the IT governance framework.

Whilst senior executives have the responsibility to consider and respond to the concerns and sensitivities raised by information security, the boards of directors have made information security an intrinsic part of governance; integrated with processes they already have in place to govern other critical organizational resources.

To exercise effective enterprise and information security governance, the board and senior executives have a clear understanding of what to expect from the enterprise's information security programme. They know how to direct the implementation of an information security programme, how to evaluate their own status with regard to the existing security programme and how to decide the strategy and objectives of an effective security programme.

INVESTOR RELATIONS

Communication with stakeholders

The Group places a great deal of importance on the quality and detail of financial disclosures to its stakeholders. The Company has also embraced technology to ensure this is done efficiently and regular communication with stakeholders also takes place via the company's website, twitter and blogs.

Shareholder Register Management

The Management of the Register of shareholders is out-sourced to Image Registrars Limited who are specialised service providers in this area and attend to all shareholder maintenance queries.

Share Capital

The authorised and issued share capital of Britam consists of only ordinary shares as disclosed on note 13 of the financial statements. The holders of the ordinary shares are entitled to attend the Annual General Meeting in person or through proxies.

Shareholders Rights

The rights and restrictions attaching to the shares are set out in the articles which can only be amended at the Annual General Meeting (AGM). All shareholders are entitled to receive the annual report and financial statements and such distributions from the Company as may lawfully be declared. All shareholders are entitled to attend, speak and vote at the AGM including the appointment of proxies. On a poll shareholders are entitled to one vote for each share held. There are no shares carrying special rights.

Distribution of Shareholding

The table below provides details of the number of shareholders and shares held within each of the bands/ranges stated in the register of members as at 31st December, 2013.

Shareholder Volume Analysis

No.	Shareholding	Shareholders	No. of Shares held	Percentage Shareholding
1	1 to 500	1,158	324,085	0.02%
2	501 to 5000	18,919	46,850,695	2.48%
3	5001 to 10000	2,875	22,702,700	1.20%
4	10001 to 100000	2,303	57,769,700	3.05%
5	100001 to 1000000	179	53,821,270	2.85%
6	1000001 and above	46	1,709,983,400	90.41%
	Grand Totals	**25,480**	**1,891,451,850**	**100.00%**

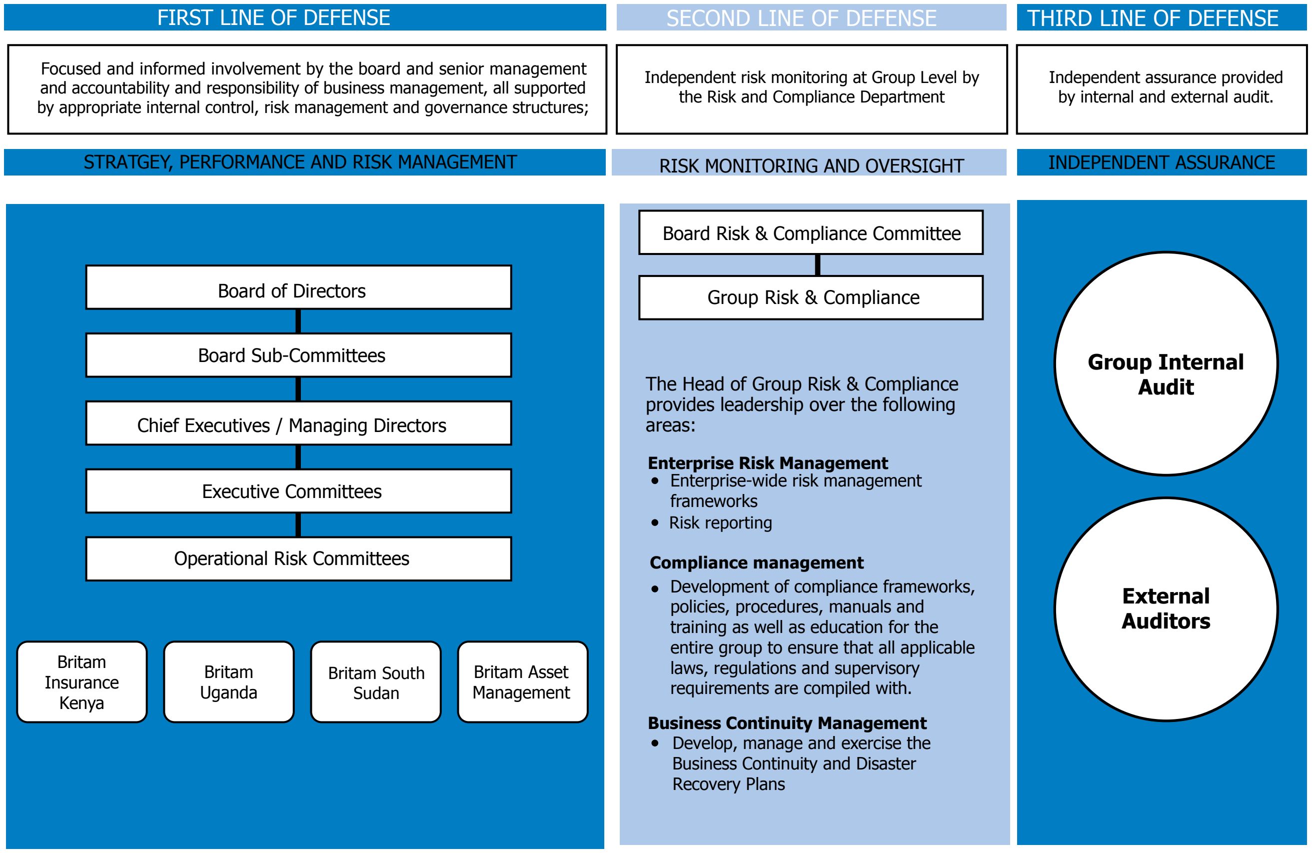
Top Ten Shareholders

No.	Names	Shares	Percentage
1	British-American (Kenya) Holdings Limited	452,504,000	23.92%
2	Equity Holdings Limited	405,000,000	21.41%
3	Jimnah M. Mbaru	219,300,000	11.59%
4	Benson I. Wairegi	100,298,400	5.30%
5	Kenya Commercial Bank Nominees A/C 915F	91,404,035	4.83%
6	Peter K. Munga	75,000,000	3.97%
7	James N. Mwangi	75,000,000	3.97%
8	Co-op Bank Custody A/C 4012	60,000,000	3.17%
9	Filimbi Limited	58,453,600	3.09%
10	Standard Chartered Nominee Account	17,165,300	0.91%
11	Others	337,326,515	17.83%
	Grand Totals	**1,891,451,850**	**100.00%**

Return Summary

Investor Pool	Records	Shares	Percentage
Local Institutions	630	1,194,103,905	63.13%
Local Individuals	24,778	626,804,330	33.14%
Foreign Investors	72	70,543,615	3.73%
Grand Totals	**25,480**	**1,891,451,850**	**100.00%**

At Britam, we recognize that risk management is an integral component of our business operations, an important contributor to the sustainability of our business and the protection of shareholder value. An independent review of risk management across the Group, involving external experts was carried out in 2010 – 2011 and we have commenced a number of initiatives to improve our governance, risk management and internal control processes including the implementation of an Enterprise Risk Management Framework (ERMF).



RISK GOVERNANCE FRAMEWORK

Britam Group sees strong risk governance applied pragmatically and consistently as the foundation for successful risk management. The strong emphasis on risk governance is based on a "three-lines of defense" concept which is the backbone of our group's ERMF. Our Enterprise Risk Management Framework (ERMF) incorporates a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all our key external stakeholders.

KEY RISK MANAGEMENT PRACTICES

As the risk management capabilities mature, the Group will conduct a number of activities with increasing sophistication, as part of the ERM framework. The principal elements are described below.

Risk Identification and Assessment

Strategic objectives, reflecting management's choice as to how the Group will seek to create value for its stakeholders, are translated into Business Unit objectives. Risks that would prevent the achievement of both the strategic and business objectives are then identified. Mechanisms for identification and prioritization of risks include but are not limited to environmental scanning, focused discussions, risk surveys and questionnaires. Internal Audit findings also provide pointers for risk identification. Risk identification and assessment is an integral part of our annual business planning process as well as an ongoing activity.

Risk Measurement, Mitigation and Monitoring

Various means of assessing, categorizing and measuring enterprise risks and risk events are used throughout the Group. These include estimating the impact and the likelihood of risk occurrence, taking into account both financial and qualitative factors such as reputational and regulatory impacts. Management teams in each Business Unit will perform reviews of the control environment in their business using techniques such as the Risk and Control Self-Assessments which will be implemented in 2014.

Risk Reporting

The top risks report outlining the risk level, trend line, exposure, potential impact and status of mitigation actions is discussed at the Operational Risk management committees and the Group Risk & Compliance Committee on a regular basis. In addition, regular risk reports are provided to the Board. Business unit risks are discussed at the appropriate levels within the organization.

ENTERPRISE RISK MANAGEMENT – ENABLING SOFTWARE

In 2011, the Britam Group acquired an ERM software which is aligned with the best market practice requirements to identify, assess and monitor risks in the group at strategic, business and process levels.

Risks are considered to be anything that could prevent management from achieving its objectives. Once identified these risks are assessed in terms of the impact they will have on business objectives should those risk result in negative consequences, as well as in terms of the likelihood of the consequences occurring, given the controls in place to manage or mitigate the risks. The product of these ratings is then plotted on a residual-risk graph divided into thresholds indicating whether a risk is higher than the risk appetite of the group. Once risks have been identified, the factors causing or contributing to the risks are identified and classified. Management then, in cooperation with the risk functions, then formulates action plans to mitigate the risks to acceptable levels of risk exposure.

This system enables dynamic risk management and monitoring of risk on an enterprise-wide basis.

RISK CATEGORIZATION MODEL

The following broad categories of risk have been considered in our enterprise risk management framework. This categorization is important in so far as it creates a common risk language across the Group and enables meaningful comparisons to be made between Business Units. Risk events are categorized as shown in the table below; more detailed sub-categories are used for reporting and analyzing.

RISK CATEGORIZATION MODEL

The following are the broad risks the Group is exposed to;

Risk Category	Definition	Areas of Impact
Counterparty Risk	Credit risk occurs when a counterparty fails or delays to perform its contractual obligation thereby affecting the Group's ability to meet its valid claims / obligations as and when they fall due. Credit risk can also arise from underlying causes that have an impact upon the credit worthiness of all counterparties of a particular description or geographical location.	All Group Business Lines
Market Risk	Market risk is the risk that as a result of market movements the Group may be exposed to fluctuations in the value of its assets, the amounts of its liabilities, or the income from its assets. Sources of general market risk include but are not limited to movements in interest rates, equities, exchange rates and real estate prices.	Life Insurance Business General Insurance Business Asset Management Business Property Business
Insurance Risk	The uncertainty due to differences between the actual and expected amount of claims and benefits and the cost of embedded options and guarantees related to insurance risks: Insurance risk includes but is not limited: • **Underwriting process risk** i.e. risk related to selection and acceptance of risks to be covered • **Pricing risk** i.e. due to incorrect premium charged for risk undertaken • **Product design risk** i.e. exposures not anticipated in the product design • **Claims risk** i.e. actual claims are more than the expected claims • **Socio-economic environment risk** i.e. adverse effect on the company due to changes to socio-economic conditions such as longevity risk, morbidity and mortality risks • **Policyholder behavior risk** i.e. unanticipated behavior of policyholders adversely affecting the company e.g. persistency • **Solvency risk** i.e. inadequate provisions in the company accounts for policy liabilities.	Life Insurance Business General Insurance Business Operational Risk

RISK CATEGORIZATION MODEL (Continued)

Risk Category	Definition	Areas of Impact
Operational Risk	Operational risk is the risk that there is loss as a result of inadequate or failed internal processes, people, technology and external events. Operational risk includes but is not limited to: • **People risk:** i.e. losses arising from people • **Process risk:** i.e. losses arising from process design and/or process implementation • **Systems risk:** i.e. losses arising from system failures, obsolescence of infrastructure, deficiency in integration, inadequacy of networks • **Business Continuity risk:** i.e. losses arising from external factors e.g. natural disasters and terrorism • **Legal and Regulatory Compliance:** i.e. risk of non-compliance with laws, regulations and standards which relate to markets, pricing, taxes and regulations. Also the risk that unanticipated new laws or regulations will result in the need to change business practices that may lead to financial loss • **Reporting Risk:** i.e. losses arising from incorrect, incomplete, inadequate or misleading disclosure, aggregation, compilation, presentation and distribution of financial and non-financial information to the Group's stakeholders. • **Reputation Risk:** i.e. the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions. This risk may result from the Group's failure to manage any or all of the other risk types. • **Information Security Risk:** i.e. losses arising from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction of information or information systems	All Group Business Lines
Strategic Risk	The risk that discretionary decisions will adversely affect future earnings and the sustainability of the business. The risk also arises from external constraints imposed by regulatory or government bodies impacting on our ability to deliver the strategy. The potential for loss arises from fluctuations in the external business environment and/or failure to properly respond to these fluctuations due to inaction, ineffective strategies or poor implementation of strategies.	All Group Business Lines
Liquidity Risk	The uncertainty arising from the company's inability to meet its liabilities when they fall due without incurring unacceptable losses.	Life Insurance Business General Insurance Business Asset Management Business Property Business
Project Risk	Risk related to inability to manage and control large strategic projects	All Group Business Lines

Our Commitment to Enterprise Risk Management

The Board of Directors and Senior Management of the Group are absolutely committed to transforming the way we manage risk and we believe that the initiatives currently being undertaken and those planned for current strategic planning period will take Britam to new levels of maturity and robustness for our risk management program.

MANAGEMENT'S EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Britam's internal control over financial reporting (ICOFR) is a process designed under the supervision of the Group Finance and Strategy Director to provide reasonable but not absolute assurance regarding the reliability of financial reporting and the preparation of Britam's consolidated financial statements. The Group internal audit review the financial close and financial reporting processes and controls during half year reporting while the Group's statutory auditors provide a reasonable assurance each year as part of their statutory audit process.

Britam's internal controls standard is in the processes of being reviewed to bring it in line with the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Standard is designed to define the scope and governance, ensure consistency and quality in Britam's financial reporting and provide an overall framework for Britam's annual financial reporting process. Britam's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Group assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with the applicable generally accepted accounting principles;
- Provide reasonable assurance that receipts and expenditures are being made only in accordance with the authorization of management and directors of the Group; and
- Provide reasonable assurance that unauthorized acquisition, use of and disposition of Group assets that could have a material effect on the Group's financial statements would be prevented or detected in a timely manner.

In order to assess the effectiveness of ICOFR, financial reporting risks are initially identified at the individual company level with a focus on identifying those risks that may result in a material misstatement of the entity's financial statements not being prevented or detected in a timely manner. This bottom up approach starts with the individual entities processes and is used to identify the risks at the lower level. This ensures that all material risks within the Group are addressed at the company level and in effect at the Holding company level.

In line with the COSO framework, Britam's ICOFR is organized around the following key processes and controls: Entity – Level controls (ELC), Information Technology (IT), Financial Statement Closing Process, Business Processes, and IT General Controls. For every key processes or controls, the individual companies document the significant processes and procedures.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or if the degree of compliance with policies or procedures deteriorates.

TRANSFORMATION

It has been 49 years of achieving and sustaining excellence.

The transformation of Britam into a world-class company is not by chance, but by design, guided by our road map, which we have gone flat out to implement.

CORPORATE SOCIAL RESPONSIBILITY

Companies worldwide are now adopting new international guidelines in reporting Corporate Social Responsibility (CSR) and Sustainability issues.

The guidelines have been developed under the Global Reporting Initiative (GRI) and are meant to assist organizations to report on corporate social responsibility, sustainability and environmental management in a more transparent way.

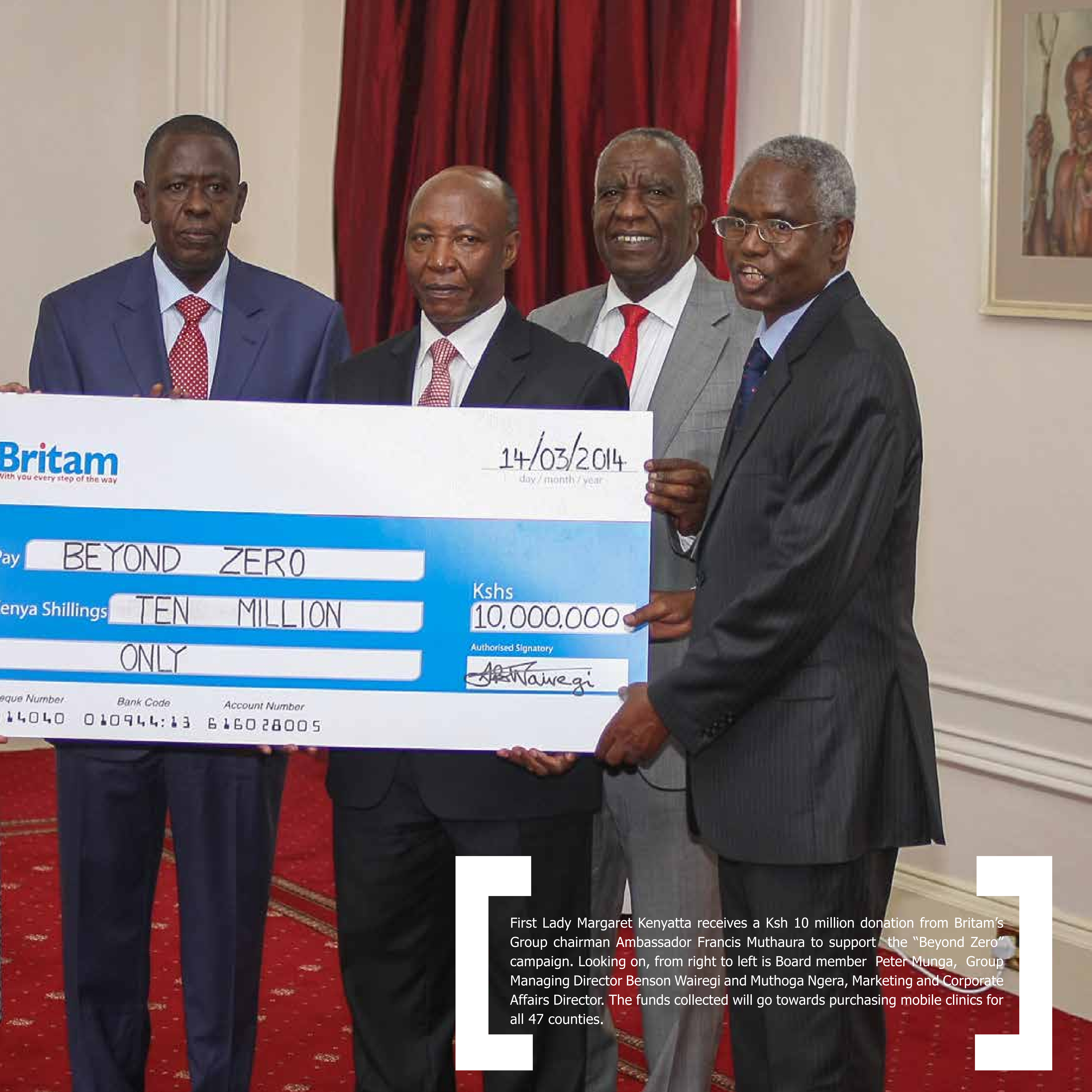
The use of the GRI guidelines confers credibility in reporting CSR and sustainability issues, and strives to increase transparency and accountability of business, environmental and social performance of activities, products, and services.

At Britam, we recognise the value of the GRI standards in assisting the process of improving disclosure by identifying better sustainability indicators, and in enhancing the comparability and standardisation of reporting.

The Britam Foundation, which was incorporated last year, will be the vehicle through which the Group's CSR and sustainability initiatives will be channeled.

Using the GRI standards, the Foundation will provide guidelines that will address CSR and sustainability issues across social, environmental and economic issues in line with the GRI framework on how to report, measure and benchmark performance.

Our long term strategy is to engage in strategic CSR which we believe will not only benefit our stakeholders but will also reinforce the Group's corporate strategy and leverage on key focus areas.



First Lady Margaret Kenyatta receives a Ksh 10 million donation from Britam's Group chairman Ambassador Francis Muthaura to support the "Beyond Zero" campaign. Looking on, from right to left is Board member Peter Munga, Group Managing Director Benson Wairegi and Muthoga Ngera, Marketing and Corporate Affairs Director. The funds collected will go towards purchasing mobile clinics for all 47 counties.

Britam Foundation

The Britam Foundation is the vehicle through which the entire Group's corporate social responsibility and Sustainability activities will be actualized.

The Foundation, once fully operational later this year, will give direction on how sustainability issues will be incorporated into the overall business of the organization through a statement policy.

The Foundation will determine the sustainability issues and priorities of the Group including coming up with procedures on procurement to indigenous suppliers and marginalized groups, among others.

When fully operational, the main focus areas of the Britam Foundation will be on education, environmental conservation, water, health, disaster relief, economic empowerment, arts, culture, and sports.

The Foundation has come up with clear guidelines and policies on how to drive each of these important pillars. It has also come up with guidelines on sustainability and disclosure in line with GRI guidelines.

Britam's Director for Marketing and Corporate Affairs Muthoga Ngera, presenting a sponsorship cheque of Shs 250,000 towards supporting the annual Mater Heart Run, which raises funds to enable children with heart defects get the lifesaving surgeries they require.

Kakamega cleft palate free medical camp - Britam Partnered with Kenya Progressive Nursing Union to host a free medical campin Kakamega county that offered free reconstructive surgery to children born with cleft lip / palate condition.

Dr. Cleopa Mailu,(L) CEO of Nairobi Hospital, receives a check of Kshs 200,000 from Britam's Business Development Manager Ann Kibebe (far right) towards supporting the Hospitals Heart Fund.

Students from Kigumo Girls School in a jovial mood after receiving a donation of computers from Britam. Looking on is Britam's Group Managing Director Benson Wairegi, Director, Marketing and Corporate Affairs Muthoga Ngera and Jack Maina, the Group's Chief Information Officer.

Accordingly, Britam will continue to pursue CSR activities aimed at supporting the Group's strategic objectives, grow brand visibility as a credible and reliable business partner, and support overall sustainability objectives of the organization.

Our aim is to eventually, through strategic CSR activities, cultivate loyal partners, a grateful clientele and a sustainable relationship with our various stakeholders and also in aid in disclosure and transparent reporting.

It is now a global trend for companies to engage in environmental conservation initiatives. One of the key focus areas of the Britam Foundation will be the spearheading of efforts to drive environmental conservation in a sustainable manner.

Through the Foundation, we want to achieve and demonstrate sound environment performance by adopting an Environmental Management System (EMS) and producing environmental performance reports. To actualize these, The Britam Foundation has come up with guidelines on environmental policy, waste management policy, managing biodiversity, carbon emission and a monitoring and evaluation mechanism, in line with GRI guidelines.

CSR Activities We Undertook in the Year 2013

As a caring corporate, Britam last year supported various CSR activites, among them;

1. Kakamega cleft palate free medical camp - Britam partnered with the Kenya Progressive Nursing Union to host a free medical camp in Kakamega County that offered free reconstructive surgery to children born with the disfiguring cleft lip/palate condition. The life changing surgeries were conducted by doctors from "Help a Child Face Tomorrow" (formerly Operation Smile). Britam gave Ksh 435,000 to support the initiative.

2. Britam donated Ksh 100,000 towards the Starehe Girls Centre Endowment Fund. The money will be used to support the education of needy but academically gifted girls in the school. Britam's Nairobi Area Manager George Kimondo presented the donation to the school, through Ms Regina Mitheu, the centres Resource Mobilization and Sponsorship Officer.

   Starehe Girls' Centre is a National boarding school that offers secondary education to financially disadvantaged girls from all Counties of Kenya. The school was founded in January 2005 as a charitable institution. It emulates the spirit of the much renowned Starehe Boys' Centre and caters for all the girls' academic and social needs.

3. Britam sponsored the Cake Festival 2013 to a tune of Kshs.150, 000. The support went a long way in enabling the staging of a successful event, and the Britam team was able to interact with participants at the stand provided. The main objective of The Cake Festival is to raise awareness and funds in support of Edumed Trust which has since 1996 supported bright needy students in Kenya through scholarships for their secondary education.

4. Donation of a scanner and printer to Muriranja District Hospital in Murang'a.

5. Donation of Computers to Kigumo Girls High School.

6. Karura Community Chapel sponsorship.

7. Rhino Charge sponsorship.

8. Kenya Red Cross sponsorship.

9. Diocesan Synod ACK sponsorship.

10. Gatanga Medical camp sponsorship.

We also gave support to other projects which included The Mater Heart Run, the Architecture Association of Kenya, the Insurance Regulatory Authority (IRA) Cerebral Palsy Walk, the KNH Cancer Ward, the Nairobi Hospital Golf Sponsorship, the Kenya Open Golf Sponsorship, Association of Insurance Brokers of Kenya dinner, and the Rhino Ark Charitable Trust.

PRINCIPAL ACTIVITIES

The Group is a holding and investment company and the principal activities of the subsidiaries are detailed in Note 1.

RESULTS AND DIVIDEND

Profit of Shs 2,653,789,000 (2012: Shs 2,519,461,000) has been added to the retained earnings.

The directors recommend the payment of a dividend of Shs 473 million (2012: Shs 473 million).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities 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. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Group's risk management policies 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 reinsures. Investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit and compliance function helps to monitor that these policies are followed.

The Group's risk management objectives and policies are detailed in Note 4.

DIRECTORS

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

J. Nicholas Ashford-Hodges	(Resigned 28th November 2013) - Chairman
Francis K. Muthaura	(Appointed 28th November 2013) - Chairman
Benson I. Wairegi	
Jimnah M. Mbaru	
Peter K. Munga	
Dawood A. Rawat	
Saleem R. Beebeejaun	(Resigned 22nd May 2013) (Alternate E. M. Swadeck Taher)
James N. Mwangi	
Bocar E. Dia	
Nduva Muli	
Agnes N. Odhiambo	
Tarun Ghulati	(Appointed 23rd May 2013)
Moussa I. Rawat	(Appointed 28th August 2013)

AUDITOR

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

Nancy K. Kiruki
SECRETARY
6 March 2014

Statement of Directors' Responsibility

The Kenyan 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 Company and the Group as at the end of the financial year and of the Group's profit or loss. It also requires the directors to ensure that the Company and its subsidiaries keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and its subsidiaries. They are also responsible for safeguarding the assets of the Company and its subsidiaries.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
(ii) Selecting and applying appropriate accounting policies;
(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company at 31 December 2013 and of the of the Group and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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 approval of the financial statements.

The financial statements were approved by the board of directors on 6 March 2014 and signed on its behalf by:

Chairman

Director

Report of the Consulting Actuary

I have conducted an actuarial valuation of the life assurance business of British-American Insurance Company (Kenya) Limited as at 31 December 2013.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. Those 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 financial statements of the Company.

In my opinion, the long term insurance business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of long term insurance business did not exceed the amount of funds of the long term insurance business at 31 December 2013.

P C Falconer
Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries
Aon South Africa (Pty) Limited
6 March 2014

INNOVATION

Britam's continued focus on innovation and its use of cutting edge technology to deliver products and services to customers across all social and economic situations has received both local and international recognition.

The World Class Innovation Award Britam won at the ICT Excellence Awards is proof Kenya can take on the world in technology innovation. This award recognizes an outstanding example of homegrown technology which has made a mark on the global market.

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of British-American Investments Company (Kenya) Limited (the "Company") and its subsidiaries (together, the "Group"), as set out on pages 58 to 122. These financial statements comprise the consolidated statement of financial position at 31 December 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2013 and the statement of changes in equity of the company 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 consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from 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 judgement, 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 company'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 opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2013 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal 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 Company, so far as appears from our examination of those books; and

- the Group's and company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Kang'e Saiti - P/No.1652.

Certified Public Accountants
Nairobi.
30 April 2014

Britam

Consolidated income statement

	Notes	For the year ended 31st December 2013 Shs'000	2012 Shs'000
Revenue			
Gross earned premium	6(i)	8,847,166	6,849,692
Less: reinsurance premium ceded	6(ii)	(1,095,967)	(893,001)
Net earned premium		7,751,199	5,956,691
Fund management fees	6(i)	613,511	377,208
Investment income	7(i)	2,759,463	1,971,016
Net realised gains on financial assets	7(ii)	232,727	45,554
Net fair value gains on financial assets at fair value through profit or loss	7(iii)	3,355,542	3,032,092
Commissions earned	8(i)	370,520	307,639
Other income	8(ii)	47,096	53,184
Total Revenue		**15,130,058**	**11,743,384**
Expenses			
Insurance claims and loss adjustment expenses	9(i)	3,270,310	4,282,914
Less: amount recoverable from reinsurers	9(i)	(293,259)	(1,803,019)
Change in actuarial value of policyholder benefits	9(i)	1,849,669	1,189,436
Net insurance benefits and claims	9(i)	4,826,720	3,669,331
Interest payments/increase in unit value	9(ii)	2,204,587	1,608,828
Operating and other expenses	10(i)	3,210,990	2,286,578
Commissions payable	11	1,873,285	1,476,086
Total Expenses		**12,115,582**	**9,040,823**
Profit before share of the associate		3,014,476	2,702,561
Share of profit of the associate	20	181,685	146,845
Profit before tax		**3,196,161**	**2,849,406**
Income tax expense	12	(542,372)	(329,945)
Profit for the year (the entire profit is attributable to the owners of the parent, of which profit of Shs 1,071,357,000 (2012: Shs 1,482,834,000) has been dealt with in the accounts of the Company)		**2,653,789**	**2,519,461**

Earnings per share for profit attributable to the owners of the parent during the year.			
- basic and diluted (Shs per share)	15	**1.40**	**1.33**

The notes on pages 66 to 122 are an integral part of these financial statements.

Consolidated statement of comprehensive income

	Notes	2013 Shs'000	2012 Shs'000
		For the year ended 31st December	
Profit for the year		**2,653,789**	**2,519,461**
Other comprehensive income items net of tax:			
Items that will not be reclassified to profit or loss			
Gains on revaluation of land and buildings	17	26,699	147,967
Re-measurement of the net defined benefit asset	46	14,266	-
Gains on revaluation of financial assets at fair value through other comprehensive income	22(i)	1,512,800	1,527,995
Total items that will not be reclassified to profit or loss		**1,553,765**	**1,675,962**
Items that may be subsequently reclassified to profit or loss			
Currency translation losses		(2,954)	(10,689)
Total items that may be subsequently reclassified to profit or loss		**(2,954)**	**(10,689)**
Total other comprehensive income		**1,550,811**	**1,665,273**
Total comprehensive income for the year attributable to the owners of the parent		**4,204,600**	**4,184,734**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 12.

The notes on pages 66 to 122 are an integral part of these financial statements.

Consolidated statement of financial position

	Notes	As at 31 December 2013 Shs'000	2012 Shs'000
CAPITAL EMPLOYED			
Share capital	13	189,145	189,145
Share premium	13	3,164,455	3,164,455
Other reserves	14	10,324,005	5,745,519
Retained earnings		2,784,329	2,900,342
Proposed dividend	16	472,863	472,863
Shareholders' funds		**16,934,797**	**12,472,324**
REPRESENTED BY:			
Assets			
Property and equipment	17	1,163,280	948,236
Intangible assets	18	134,629	113,817
Investment in associate	20	1,867,081	1,459,826
Investment property	21	3,782,181	1,706,057
Quoted ordinary shares at fair value through other comprehensive income	22(i)	6,109,614	4,937,397
Financial assets at fair value through profit or loss:			
- quoted ordinary shares	22(ii)	7,632,998	6,084,289
- unquoted ordinary shares	23	3,770	54,009
- unit trusts	24	8,066,022	6,064,687
- corporate bonds	25(i)	-	28,253
- government securities	26(i)	565,093	176,562
Corporate bonds at amortised cost	25(ii)	591,920	508,358
Government securities at amortised cost	26(ii)	8,166,134	6,685,780
Mortgage loans and receivables	27	793,815	812,022
Loans and receivables to policy holders	28	376,778	309,455
Receivables arising out of reinsurance arrangements		81,228	48,912
Receivables arising out of direct insurance arrangements	29	1,053,931	540,599
Reinsurers' share of insurance liabilities	30	2,410,417	2,396,262
Deferred acquisition costs	31	180,389	131,274
Deferred income tax	32	5,255	4,198
Tax recoverable		83,042	32,240
Receivables from related parties	33	-	5,075
Other receivables	34	626,201	381,130
Retirement benefit asset	46	186	-
Deposits with financial institutions	35	2,591,418	1,975,913
Cash and bank balances	35	617,196	415,814
Total assets		**46,902,578**	**35,820,165**
Liabilities			
Insurance contract liabilities	37	12,137,169	10,467,211
Payable under deposit administration contracts	42	8,109,075	5,787,072
Liabilities under investment contracts	43	6,414,370	4,845,527
Unearned premium	44	1,889,452	1,292,195
Creditors arising from reinsurance arrangements		107,709	183,861
Retirement benefit liability	46	-	14,080
Other payables	48	958,913	636,282
Bank overdraft	35	116,691	46,810
Current income tax payable		234,402	74,803
Total liabilities		**29,967,781**	**23,347,841**
Net assets		**16,934,797**	**12,472,324**

The financial statements on pages 66 to 122 were approved for issue by the board of directors on 6 March 2014 and signed on its behalf by:

Chairman **Group Managing Director**

Company statement of financial position

	Notes	As at 31 December 2013 Shs'000	2012 Shs'000
CAPITAL EMPLOYED			
Share capital	13	189,145	189,145
Share premium	13	3,164,455	3,164,455
Other reserves		2,014,935	335,122
Retained earnings		2,459,636	2,817,317
Proposed dividend	16	472,863	472,863
Shareholders' funds		**8,301,034**	**6,978,902**
REPRESENTED BY:			
Assets			
Property and equipment	17	37,202	9,041
Intangible assets	18	3,525	3,356
Investment in subsidiary companies	19	1,460,100	1,050,000
Quoted ordinary shares at fair value through other comprehensive income	22(i)	3,178,840	1,549,122
Financial assets at fair value through profit or loss			
– Quoted ordinary shares	22(ii)	2,534,524	3,344,775
– Unit trusts	24	189,748	175,709
– Corporate bond	25(i)	-	28,253
Receivables from related parties	33	672,881	11,702
Other receivables	34	-	75,685
Deposit with financial institutions		1,131,647	1,395,236
Cash and bank balances		34,863	6,101
Total assets		**9,243,330**	**7,648,980**
Liabilities			
Amounts due to related parties	33	798,343	649,022
Other payables	48	143,953	21,056
Total liabilities		**942,296**	**670,078**
Net assets		**8,301,034**	**6,978,902**

The financial statements on pages 66 to 122 were approved for issue by the board of directors on 6 March 2014 and signed on its behalf by:

Chairman

Group Managing Director

Consolidated statement of changes in equity

Year ended 31 December 2012	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
At start of year		**189,145**	**3,164,455**	**3,531,204**	**1,388,926**	**283,718**	**8,557,448**
Comprehensive income							
Profit for the year		-	-	-	2,519,461	-	2,519,461
Other comprehensive income:							
Gains on revaluation of land and buildings	17	-	-	147,967	-	-	147,967
Currency translation losses		-	-	(10,689)	-	-	(10,689)
Fair value gains on financial assets at fair value through other comprehensive income		-	-	1,527,995	-	-	1,527,995
Total other comprehensive income		**-**	**-**	**1,665,273**	**-**	**-**	**1,665,273**
Total comprehensive income for the year attributable to the owners of the parent		**-**	**-**	**1,665,273**	**2,519,461**	**-**	**4,184,734**
Transfer to other reserves	14	-	-	549,042	(549,042)	-	-
Transactions with owners							
Dividends:							
- Final for 2011		-	-	-	13,860	(283,718)	(269,858)
- Proposed final for 2012	16	-	-	-	(472,863)	472,863	-
Total transactions with owners		**-**	**-**	**-**	**(459,003)**	**189,145**	**(269,858)**
At end of year		**189,145**	**3,164,455**	**5,745,519**	**2,900,342**	**472,863**	**12,472,324**

The notes on pages 66 to 122 are an integral part of these financial statements.

Consolidated statement of changes in equity (continued)

Year ended 31 December 2013	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
At start of year		**189,145**	**3,164,455**	**5,745,519**	**2,900,342**	**472,863**	**12,472,324**
Transfer of reserves on adoption of IFRS 9		-	-	568,850	(614,074)	-	(45,224)
Comprehensive income							
Profit for the year		-	-	-	2,653,789	-	2,653,789
Other comprehensive income:							
Gains on revaluation of land and buildings	17	-	-	26,699	-	-	26,699
Currency translation losses		-	-	(2,954)	-	-	(2,954)
Fair value gains on financial assets at fair value through other comprehensive income		-	-	1,512,800	-	-	1,512,800
Re-measurement of the net defined benefit asset/liability		-	-	14,266	-	-	14,266
Total other comprehensive income	**-**	**-**	**-**	**1,550,811**	**-**	**-**	**1,550,811**
Total comprehensive income for the year attributable to the owners of the parent		**-**	**-**	**1,550,811**	**2,653,789**	**-**	**4,204,600**
Transfer to other reserves	14	-	-	1,305,965	(1,305,965)	-	-
Transactions with owners							
Proceeds from sale of treasury shares		-	-	752,860	-	-	752,860
Capitalisation of reserves by subsidiary		-	-	400,000	(400,000)		-
Dividends:							
- Final for 2012		-	-	-	23,100	(472,863)	(449,763)
- Proposed final for 2013	16	-	-	-	(472,863)	472,863	-
Total transactions with owners		**-**	**-**	**1,152,860**	**(849,763)**	**-**	**303,097**
At end of year		**189,145**	**3,164,455**	**10,324,005**	**2,784,329**	**472,863**	**16,934,797**

The notes on pages 66 to 122 are an integral part of these financial statements.

Company statement of changes in equity

Year ended 31 December 2012	Notes	Share capital Shs'000	Share Premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Equity Shs'000
At start of year		**189,145**	**3,164,455**	**(144,290)**	**1,807,346**	**283,718**	**5,300,374**
Comprehensive income							
Profit for the year		-	-	-	1,482,834	-	1,482,834
Fair value gains on financial assets at fair value through other comprehensive income		-	-	479,412	-	-	479,412
Total comprehensive income for the year attributable to the owners of the parent		**-**	**-**	**479,412**	**1,482,834**	**-**	**1,962,246**
Transactions with owners							
Dividends:							
- Final for 2011 paid		-	-	-	-	(283,718)	(283,718)
- Proposed final for 2012	16	-	-	-	(472,863)	472,863	-
Total transactions with owners		**-**	**-**	**-**	**(472,863)**	**189,145**	**(283,718)**
At end of year		**189,145**	**3,164,455**	**335,122**	**2,817,317**	**472,863**	**6,978,902**

Year ended 31 December 2013	Notes	Share capital Shs'000	Share Premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Equity Shs'000
At start of year		**189,145**	**3,164,455**	**335,122**	**2,817,317**	**472,863**	**6,978,902**
Transfer of reserves on adoption of IFRS 9		-	-	956,175	(956,175)	-	-
Comprehensive income							
Profit for the year		-	-	-	1,071,357	-	1,071,357
Fair value gains on financial assets at fair value through other comprehensive income		-	-	723,638	-	-	723,638
Total comprehensive income for the year attributable to the owners of the parent		**-**	**-**	**723,638**	**1,071,357**	**-**	**1,794,995**
Transactions with owners							
Dividends:							
- Final for 2012 paid		-	-	-	-	(472,863)	(472,863)
- Proposed final for 2013	16	-	-	-	(472,863)	472,863	-
Total transactions with owners		**-**	**-**	**-**	**(472,863)**	**-**	**(472,863)**
At end of year		**189,145**	**3,164,455**	**2,014,935**	**2,459,636**	**472,863**	**8,301,034**

The notes on pages 66 to 122 are an integral part of these financial statements.

Consolidated statement of cash flows

	Notes	2013 Shs'000	2012 Shs'000
Operating activities			
Cash generated from operations	36	2,355,068	2,485,976
Foreign currency (gains)/losses		(7,732)	2,530
Income tax paid		(392,823)	(227,486)
Net cash generated from operating activities		**1,954,513**	**2,261,020**
Investing activities			
Sale of treasury shares	13	752,861	-
Purchase of property and equipment	17	(310,691)	(224,209)
Purchase of intangible assets	18	(45,507)	(21,538)
Investment in associate	20	(288,012)	(20,000)
Purchase of investment property	21	(1,080,031)	(120,631)
Proceeds from disposal of quoted shares at fair value through other comprehensive income	22(i)	481,138	-
Purchase of quoted shares at fair value through profit or loss	22(ii)	(193,423)	(59,260)
Proceeds from disposal of quoted ordinary shares at fair value through profit or loss	22(ii)	299,031	110,195
Purchase of unquoted ordinary shares at fair value through profit or loss	23	(251)	(3,519)
Net investment in unit trusts at fair value through profit or loss	24	(397,408)	(530,679)
Purchase of corporate bond at fair value through profit or loss	25(i)	-	(28,253)
Net investment in corporate bond at amortised cost	25(ii)	(83,562)	(225,029)
Net investment in government securities at fair value through profit or loss	26(i)	(142,999)	63,017
Net investment in government securities at amortised cost	26(ii)	(1,718,651)	(2,311,327)
Mortgage loans and receivables advanced	27	(168,012)	(260,996)
Mortgage loans and receivables repayments	27	169,957	127,871
Policy loans and receivables advanced	28	(306,912)	(221,471)
Policy loans repayments and receivables	28	239,589	159,320
Dividends received from equity investments at fair value through profit or loss	7(i)	289,465	239,508
Dividends received from equity investments at fair value through other comprehensive income	7(i)	257,071	223,760
Rent and interest received		1,489,230	1,518,882
Net cash used in investing activities		**(757,117)**	**(1,584,359)**
Cash flows from financing activities			
Dividends paid		(449,763)	(269,858)
Interest paid		(627)	-
Loan repayment		-	(950,047)
Net cash used in financing activities		**(450,390)**	**(1,219,905)**
Net increase/ (decrease) in cash and cash equivalents		**747,006**	**(543,244)**
At start of year	35	2,344,917	2,888,161
At end of year	35	**3,091,923**	**2,344,917**

The notes on pages 66 to 122 are an integral part of these financial statements.

1 General information

British-American Investments company (Kenya) Limited is incorporated in Kenya under the Companies Act as a private limited liability company, and is domiciled in Kenya. The address of its registered office is:

Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
Nairobi

The company acts as an investment company and a holding company for insurance, investment management and properties businesses in Kenya, Uganda, Rwanda and South Sudan.

The Group comprises seven entities: British-American Investments Company (Kenya) Limited which is the holding company; British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited, Britam Insurance Company (Uganda) Limited, Britam Insurance Company (Rwanda) Limited, Bramer Properties Limited and Britam Insurance Company Limited (South Sudan). The group also has two associates; Housing Finance (HF) owned 21.46% and Acorn Group Limited owned 25%.

British-American Insurance Company (Kenya) limited does insurance business including the underwriting of all classes of life and non-life insurance risks as defined by the Kenya Insurance Act, with the exception of aviation, bond investment and industrial life assurance. It also issues investment contracts to provide its customers with asset management solutions for their savings and retirement needs.

The British-American Asset Managers Limited Company's principal activity is the provision of investment advisory and fund management services, and is subject to the provisions of the Kenyan Capital Markets Act. For the Kenyan Companies' Act purposes, the balance sheet is represented by the statement of financial position while the profit and loss account by the income statement in these financial statements.

Britam Insurance Company (Uganda) limited is licensed to underwrite all classes of life and non-life insurance risks as defined by the Ugandan Insurance Act and it is regulated by the Uganda Insurance Commission (UIC). Britam Insurance Company Limited (South Sudan) was incorporated in March 2012 and has since commenced operations. Britam Insurance Company (Rwanda) Limited was incorporated in 2013 and has since commenced operations. Bramer Properties Limited deals with buying and selling of properties. It was incorporated in 2012 and started operation in 2013.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below and relate to both the Company's and the Group's activities. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income. The financial statements are presented in Kenyan Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company and the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Group:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment only affects presentation on the face of the statement of comprehensive income.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See Note 45 for the impact on the financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The impact has been increased disclosure in the financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The Group has adopted IFRS 9 effective 1st January 2013, as well as the related consequential amendments to other IFRS's, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transition provisions of and choices provided by the standard, comparative figures have not been restated.

IFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The impact of adopting IFRS 12 has been increased disclosures in the financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 has increased the extent of fair value disclosures in the financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

There are no other new or revised standards or interpretations issued and effective that would be expected to have a material impact on the Group.

(ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been early adopted in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Annual improvements 2010-2012 and 2011-2013 cycles – These are collections of 7 and 4 amendments to standards respectively as part of the IASB's programme to annual improvements. The amendments are all effective for annual periods beginning on or after 1 July 2014 and the directors are currently assessing the impact of these improvements on their financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value. However, non-controlling interest's that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are recognised at either fair value or proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of British-American Investments Company (Kenya) Limited and its wholly owned subsidiaries, British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited, Britam Insurance Company (Uganda) Limited, Britam Insurance Company (Rwanda) Limited, Bramer Properties Limited and Britam Insurance Company (South Sudan) Limited made up to 31 December 2013.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) 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. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

(d) Insurance contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under 2(h). Insurance contracts and investment contracts are classified into two main categories depending on the duration of risk and as per the provisions of the Insurance Act

Long term insurance business

Includes insurance business of all or any of the following classes, namely, life assurance business (ordinary life and Group life), superannuating business, industrial life assurance business and bond investment business and business incidental to any such class of business.

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for term dependent upon human life. Superannuating business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuating, Group life and permanent health insurance policy.

General insurance business

It is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance (i.e. class of business not included under those listed above).

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class. It also includes business of effecting and carrying out contracts of insurance against risk of persons insured incurring medical expenses.

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business, damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

(ii) Recognition and measurement

a) Premium income

For long term insurance business, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. For general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the un expired terms of policies in force at the financial reporting date, and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

b) Claims

For long term insurance business, benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of un expired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at each financial reporting date using the assumptions established at inception of the contracts.

For general insurance business, claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the financial reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

c) Commissions earned and payable and deferred acquisition costs ("DAC")

Commissions earned and payable are recognised in the period in which relevant premiums are written. A proportion of commissions' payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

d) Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss as part of claims incurred.

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

e) Reinsurance contracts held

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsures, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsures are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 2(m)(iv).

f) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in Note 2(m)(iv).

g) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

(e) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The consolidated financial statements are presented in 'Kenyan Shillings (Shs) rounded to the nearest thousand, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 profit or loss, except when deferred in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets through other comprehensive income, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Board.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

(g) Revenue recognition

(i) Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under note (d) above

(ii) Commissions

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

(iii) Rendering of services

Revenue arising from asset management and other related services offered by the Group are recognised in the accounting period in which the services are rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

These services comprise the activity of trading financial assets in order to reproduce the contractual returns that the Group's customers expect to receive from their investments. Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts. For practical purposes, the Group recognises these fees on a straight-line basis over the estimated life of the contract. Certain upfront payments received for asset management services ('front-end fees') are deferred and amortised in proportion to the stage of completion of the service for which they were paid.

The Group charges its customers for asset management and other related services using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis; and

- Regular fees are charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(iv) Interest income

Interest income for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within 'investment income' (Note 7(i)) in the profit or loss using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(v) Dividend income

Dividend income for equities is recognised when the right to receive payment is established. This is the ex-dividend date for equity securities.

(vi) Rental income

Rental income is recognized as income in the period in which it is earned. All investment income is stated net of investment expenses.

(vii) Realised / unrealised gains and losses

Realised / unrealised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(h) Investment contracts

The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for a number of retirement benefit schemes

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets (these contracts are also known as unit-linked investment contracts) and are designated at inception as at fair value through profit or loss. The Group designates these investment contracts to be measured at fair value through profit and loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (i.e. the fair value received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit on day 1. The Group has not recognised any profit on initial measurement of these investment contracts because the difference is attributed to the prepayment liability recognised for the future investment management services that the Group will render to each contract holder.

The Group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the financial reporting date by the unit value for the same date.

When the investment contract has an embedded put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable. For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument earlier than maturity.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

(i) Property and equipment

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Leasehold improvements	10 years
Motor vehicles	5 years
Computer equipment	5 years
Furniture, fixtures, and fittings	5 years

Subsequent costs are included in the asset's 1carrying 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 profit or loss during the financial period in which they are incurred.

Property and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amounts and are taken into account in determining operating profit. Buildings are revalued on an annual basis with the change credited/debited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserves.

On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(j) Intangible assets

(i) Computer software

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed seven years.

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates. It represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(k) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(l) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and which are not occupied by the Group are classified as investment property. Investment property is treated as a long term investment and 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 profit or loss. Land held under operating lease is classified and accounted for as investment property if and only if the property meets the definition of an investment property.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. Properties under construction and development sites with projected use as investment properties are valued at projected fair values taking into account current market conditions, outstanding investment costs and a risk loading according to the progress of the project

(m) Financial instruments

The Group's management has assessed the financial assets and financial liabilities held by the group at the date of initial application of IFRS 9 (1 January 2013). The main effects resulting from this assessment were:

- Investments in debt securities previously classified at amortised cost in accordance with IAS 39 are now classified as financial assets at fair value through profit or loss. As a result, on 1 January 2013 assets with amortised value of Shs 241,760,000 were transferred to investments held at fair value through profit or loss; their related fair value loss of Shs 45,224,000 was recognised in profit or loss.

- Equity investments previously classified at fair value through profit or loss have now been designated as at fair value through other comprehensive income. As a result, fair value gains of 614,074,000 were reclassified from retained earnings to available for sale investment reserve as at 1 January 2013. These equity investments at fair value for through profit or loss were all classified as non-current.

(i) Classification prior to 1 January 2013

The Group classified its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale assets. Management determines the appropriate classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets are designated at fair value through profit or loss when doing so significantly reduces or eliminates a measurement inconsistency; or they form part of a Group of financial assets that is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. Interest calculated using the effective interest method is also recognised in the income statement. Dividends on equity instruments at fair value through profit or loss are recognised in the income statement when the Group's right to receive payment is established.

Certain equity investments of the Group, government securities and investments in unit trusts and certain corporate bonds are classified in this category. The assets in this category had a total carrying value of Shs 12,407,800,000 at 31 December 2012. The Company's assets in this category at 31 December 2012 were Shs 3,548,737,000.

b) Loans and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as held for trading and those that the Group on initial recognition designates as at fair value through profit or loss; (b) those that the Group upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables are carried at amortised cost using the effective interest method. The interest calculated using the effective interest method is recognised in the income statement.

The Group's receivables out of direct insurance and reinsurance arrangements, mortgage loans, loans to policy holders, deposits with financial institutions and cash under the cash category, receivables from related parties and other receivables are classified in this category. The assets in this category had a total carrying value of Shs 6,469,369,000 as 31 December 2012. The Company's assets in this category at 31 December 2012 were Shs 1,482,623,000

c) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are carried at amortised cost using the effective interest method. The interest calculated using the effective interest method is recognised in the income statement. Were the Group to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

Certain investments in government securities and corporate bonds are classified in this category. The assets in this category had a total carrying value of Shs 7,194,138,000 at 31 December 2012. The Company had not assets in this category.

d) Available-for-sale

Available-for-sale investments are those non-derivative financial assets that are not classified under any of categories (a) to (c) above. Available for sale financial investments are initially recognised at fair value. Financial assets 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.

Certain of the Group's investment in equities are classified in this category. The Group's assets in this category had a total carrying value of Shs 4,937,396,000 at 31 December 2012. The Company assets at this date in this category were Shs 1,549,122,000.

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss. Interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are also recognised in the income statement when the Group's right to receive payment is established.

Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.
Fair values of quoted investments in active markets are based on current bid prices. Fair values for unlisted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

(ii) Classification of financial assets from 1 January 2013

As from 1 January 2013, the group classifies its financial assets in the following measurement categories: those at measured fair value and those measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

a) Debt investments

Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payments of principal and interest on the principal outstanding and are not accounted for separately.

Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'.

The group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

b) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss.

(iii) Classification of financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss ' or 'other financial liabilities.

a) Financial liabilities at fair value through profit or loss

Financial liabilities classified as at fair value through profit or loss include payables under deposit administration contracts and liabilities under investment contracts

b) Other financial liabilities

Other financial liabilities includes creditors arising out of reinsurance arrangements ,other payables and bank overdraft are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash.

The tables here below show how financial assets and liabilities are classified;

GROUP

At 31 December 2013	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Financial assets				
Quoted ordinary shares	-	7,632,998	6,109,614	**13,742,612**
Government securities	8,166,134	565,093	-	**8,731,227**
Corporate bonds	591,920	-	-	**591,920**
Unit trusts	-	8,066,022	-	**8,066,022**
Other receivables	626,201	-	-	**626,201**
Deposits with financial institutions	2,591,418	-	-	**2,591,418**
Cash and bank balances	617,196	-	-	**617,196**
Total financial Assets	**12,592,869**	**16,264,113**	**6,109,614**	**34,966,596**
Financial liabilities				
Payable under deposit administration contracts	-	8,109,075	-	**8,109,075**
Liabilities under investment contracts	-	6,414,370	-	**6,414,370**
Creditors arising from reinsurance arrangements	107,709	-	-	**107,709**
Other payables	958,913	-	-	**958,913**
Bank overdraft	116,691	-	-	**116,691**
Total financial liabilities	**1,183,313**	**14,523,445**	**-**	**15,706,758**

COMPANY

At 31 December 2013	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Financial assets				
Quoted ordinary shares	-	2,534,524	3,178,840	**5,713,364**
Unit trusts	-	189,748	-	**189,748**
Deposits with financial institutions	1,131,647	-	-	**1,131,647**
Cash and bank balances	34,863	-	-	**34,863**
Total financial Assets	**1,166,510**	**2,724,272**	**3,178,840**	**7,069,622**
Financial liabilities				
Other payables	143,953	-	-	**143,953**
Total financial liabilities	**143,953**	**-**	**-**	**143,953**

GROUP

At 31 December 2012	At amortised cost Shs' 000	At fair value through profit or loss Shs' 000	At fair value through other comprehensive income Shs' 000	Total Shs' 000
Financial assets				
Quoted ordinary shares	-	6,084,289	4,937,397	11,021,686
Government securities	6,685,780	176,562	-	6,862,342
Corporate bonds	508,358	28,253	-	536,611
Unit trusts	-	6,064,687	-	6,064,687
Other receivables	381,130	-	-	381,130
Deposits with financial institutions	1,975,913	-	-	1,975,913
Cash and bank balances	415,814	-	-	415,814
Total financial Assets	**9,966,995**	**12,353,791**	**4,937,397**	**27,258,183**
Financial liabilities				
Payable under deposit administration contracts	-	5,787,072	-	5,787,072
Liabilities under investment contracts	-	4,845,527	-	4,845,527
Creditors arising from reinsurance arrangements	183,861	-	-	183,861
Other payables	636,282	-	-	636,282
Bank overdraft	46,810	-	-	46,810
Total financial liabilities	**866,953**	**10,632,599**	**-**	**11,499,552**

COMPANY

At 31 December 2012	At amortised cost Shs' 000	At fair value through profit or loss Shs' 000	At fair value through other com-prehensive income Shs' 000	Total Shs' 000
Financial assets				
Quoted ordinary shares	-	3,344,775	1,549,122	4,893,897
Unit trusts	-	175,709	-	175,709
Corporate bonds	-	28,253	-	28,253
Other receivables	75,685	-	-	75,685
Deposits with financial institutions	1,395,236	-	-	1,395,236
Cash and bank balances	6,101	-	-	6,101
Total financial Assets	**1,477,022**	**3,548,737**	**1,549,122**	**6,574,881**
Financial liabilities				
Other payables	21,056	-	-	21,056
Total financial liabilities	**21,056**	**-**	**-**	**21,056**

(iv) Recognition and measurement from 1 January 2013

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognized 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.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present unrealized and realized fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as long as they represent a return on investment.

The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

The classification and measurement category for each class of financial assets and liabilities at the date of initial application were as follows:

GROUP

Instrument	IAS 39	IFRS 9	Number of securities before	Number of securities after	Valuation as per IAS 39 as at 1st January 2013 Shs' 000	Valuation as per IFRS 9 as at 1 January 2013 Shs'000	Difference in the valuation Shs' 000
Quoted ordinary shares	Fair value through profit or loss	Fair value through profit or loss	361,021,828	355,097,890	6,153,895	6,013,201	140,694
	Available for sale	Fair value through other comprehensive income	230,429,040	236,352,978	5,472,689	5,613,383	(140,694)
Unit trusts	Fair value through profit or loss	Fair value through profit or loss	113,164,976	113,164,976	6,010,930	6,010,930	-
Government securities	Held to maturity	Held at amortised cost	-	-	6,685,780	6,444,020	241,760
	Available for sale	Fair value through profit or loss	-	-	176,562	373,098	(196,536)
Corporate bonds	Held to maturity	Held at amortised cost	-	-	508,358	508,358	-
	Fair value through profit or loss	Fair value through profit or loss	-	-	28,253	28,253	-
Loans and deposits	Amortised cost	Amortised cost	-	-	1,975,913	1,975,913	-

COMPANY

Instrument	IAS 39	IFRS 9	Number of securities before	Number of securities after	Valuation as per IAS 39 as at 1 January 2013 Shs' 000	Valuation as per IFRS 9 as at 1 January 2013 Shs'000	Difference in the valuation Shs' 000
Quoted ordinary shares	Fair value through profit or loss	Fair value through profit or loss	140,832,650	82,423,539	3,344,775	1,957,559	1,387,216
	Available for sale	Fair value through other comprehensive income	65,226,198	123,635,309	1,549,122	2,936,338	(1,387,216)
Unit trusts	Fair value through profit or loss	Fair value through profit or loss	1,012,169	1,012,169	175,709	175,709	-
Corporate bonds	Fair value through profit or loss	Fair value through profit or loss	-	-	28,253	28,253	-
Loans and deposits	Amortised cost	Amortised cost	-	-	1,395,236	1,395,236	-

GROUP

Measurement category	IAS 39 carrying amount 31 December 2012 Shs' 000	Reclass-ifications Shs' 000	Remeas-urements Shs' 000	IFRS 9 carrying amount 1 January 2013 Shs' 000	Retained earnings effects on 1 January 2013 Shs' 000
Fair value through profit or loss	**12,160,682**	**-**	**-**	**12,160,682**	**-**
Additions:					
From amortised cost (IAS 39)	7,651,894	-	-	7,410,134	-
From amortised cost (IAS 39)	-	241,760	(45,224)	-	(45,224)
Total change to fair value through profit or loss	**19,812,576**	**241,760**	**(45,224)**	**19,570,816**	**(45,224)**
Fair value through other comprehensive income	5,472,689	-	-	5,472,689	-
Additions:					
Fair value through profit or loss (Fair value option under IAS 39) - fair value through other comprehensive income elected at January 2013	-	-	614,074	614,074	614,074
From cost (IAS 39)	-	-	-	-	-
Total change to fair value through other comprehensive income	**5,472,689**	**-**	**614,074**	**6,086,763**	**614,074**

COMPANY

Measurement category	IAS 39 carrying amount 31 December 2012 Shs' 000	Reclass-ifications Shs' 000	Remeas-urements Shs' 000	IFRS 9 carrying amount 1 January 2013 Shs' 000	Retained earnings effects on 1 January 2013 Shs' 000
Fair value through profit or loss	**3,344,775**	**-**	**-**	**3,344,775**	**-**
Substractions:					
To fair value through other comprehensive income	-	-	(956,175)	-	(956,175)
Total change to fair value through profit or loss	**3,344,775**	**-**	**(956,175)**	**3,344,775**	**(956,175)**
Fair value through other comprehensive income	**1,549,122**	**-**	**-**	**1,549,122**	**-**
Additions:					
Fair value through profit or loss (Fair value option under IAS 39) - fair value through other comprehensive income elected at January 2013	-	-	-	956,175	956,175
From cost (IAS 39)	-	-	-	-	-
Total change to fair value through other comprehensive income	**1,549,122**	**-**	**-**	**2,505,297**	**956,175**

(v) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(n) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

(o) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the statement of cashflows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(p) Employee benefits

The Company originally established a contributory final salary defined benefit plan covering substantially all its employees, including agents. The plan was funded under a single Trust, and the principal asset held by the Trustees was a deposit administration policy issued by the Company. Members now contribute 7.5% of pensionable earnings.

Effective January 1, 2006, the Company established a defined contribution section as a supplementary scheme to the existing plan. Existing members were given the irrevocable option of either (a) remaining in the defined benefit section and continuing to accrue benefits, or (b) participating in the defined contribution section with effect from January 1, 2006, and relinquishing prior defined benefit entitlement in return for a "conversion value" transferred from the defined benefit section into the defined contribution section. In October 2010, the two sections were separated into two independent plans, each with its own Trust Deed and Rules, and each holding a separate deposit administration policy issued by the Company. The actuarial results presented relate only to the defined benefit plan.

The defined benefit plan provides a retirement benefit on attaining age 60 based on 2% of final average pensionable earnings for each year of service while a member of the plan. Similarly-calculated benefits are provided on withdrawal, death in service and disability. Company contributions to the plan are normally determined as those required to provide all promised benefits over the long term. Currently, in compliance with the Retirements Benefits (Minimum Funding Level and Winding Up of Schemes) Regulations, 2000 (Rev. 2010), the Company is operating a Remedial Plan designed to restore a 100% funding ratio by the end of 2016. This Remedial Plan required the Group to make a contribution of 64% of pensionable earnings for 2013. The Remedial Plan's progress is reviewed annually.

Plan liabilities and costs are established by independent actuaries using the Projected Unit Credit Method. The plan is fully valued at least every two years.

Actuarial gains and losses re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other Comprehensive Income in the period to which they apply.

The significant risks to which the Company is exposed through the operation of its defined benefit plan are asset mismatching risk, funding risk and pensioner longevity risk:

Asset mismatching occurs because investment earnings on the plan's principal asset derive from the declared rate on the deposit administration policy; this rate is declared annually by the Company based on the investment performance for the year of the pooled funds supporting its deposit administration portfolio.

The liabilities are long-term in nature, comprising the expected future outflow of benefits, and the discount rate used to value them is based on the yield on low-risk or risk-free bonds for a term commensurate with their duration (10 to 11 years). Consequently, as long-term yields rise and fall, the present value of the liabilities will fall and rise, but the change in value of the assets will only reflect the one-year declared rate.

Funding risk occurs because the Remedial Plan is intended to restore a 100% funding ratio by the end of 2016, but is based on assumptions such as future investment yields, salary growth and members' options which may not be borne out in reality. To the extent that such assumptions emerge detrimentally to the Remedial Plan, the Company's contribution requirements will increase, possibly dramatically as the time horizon shortens.

Pensioner longevity risk reflects the fact that the liabilities for pensions in payment is based on assumptions as to the future mortality of present and future pensioners and their contingent beneficiaries. A longer emerging life expectancy than that implied by the mortality tables currently in use will create a plan deficit over time. The plan's pensioner population is too small to develop plan-specific mortality assumptions. The Company provides Annual Paid Leave, the cost of which is expensed as earned. The lack of a provision for future costs in accordance with IAS 19R is not considered to have a material impact on financial statements.

(q) Income tax

(i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from 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. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting 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. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Dividends

Dividends payable to the Group's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(t) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds net of tax.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

3 Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management made judgements in determining:

- Actuarial liabilities (see Notes 37 & 38 for the carrying amounts of these liabilities and assumptions respectively)
- Valuation of unquoted investments (Note 4(f)
- Fair valuation technique and model of financial assets 4(f)
- Classification of financial instruments. As disclosed in note 2(m)
- Whether land and building meet criteria to be classified as investment property as disclosed in note 2(l)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

4 Risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including underwriting risk, liquidity risk, credit risk and the effects of changes in debt and equity market prices, foreign exchange risk and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Group's risk management policies 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 reinsures. Investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit function helps to monitor that these policies are followed.

(a) Insurance risk - Group

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The following tables disclose the concentration of insurance risk by the class of business in which the contract holder operates analyzed by the maximum insured loss limit included in the terms of the policy (gross and net of reinsurance).

Year ended 31 December 2013

Maximum insured loss

Class of business		Shs Millions	0 – 15 Shs'000	15 - 250 Shs'000	Over 250 Shs'000	Total Shs'000
General Insurance business – Sum assured	Motor	Gross	22,736,341	2,741,591	3,071,309	28,549,241
		Net	22,393,058	2,206,377	3,071,309	27,670,744
	Fire	Gross	12,658,968	37,591,953	91,641,114	141,892,035
		Net	12,446,743	24,268,244	213,002	36,927,989
	Personal accident	Gross	15,140,576	3,989,612	3,096,439	22,226,627
		Net	11,900,926	1,707,699	82,849	13,691,474
	Other	Gross	7,711,703	25,600,802	100,498,260	133,810,765
		Net	7,662,053	16,657,017	2,801,559	27,120,629
Long term business	Ordinary life	Gross	120,083,720	1,644,261	-	121,727,981
		Net	111,872,845	-	-	111,872,845
	Group life	Gross	183,483,622	45,938,481	-	229,422,103
		Net	107,866,061	79,196	-	107,945,257
Total Gross			**361,814,930**	**117,506,700**	**198,307,122**	**677,628,752**
Total Net			**274,141,686**	**44,918,533**	**6,168,719**	**325,228,938**

Year ended 31 December 2012

Maximum insured loss

Class of business		Shs Millions	0 – 15 Shs'000	15 - 250 Shs'000	Over 250 Shs'000	Total
General Insurance business – Sum assured	Motor	Gross	12,634,517	615,470	10,869	13,260,856
		Net	11,008,785	434,474	10,869	11,454,128
	Fire	Gross	31,669,605	53,449,810	18,137,822	103,257,237
		Net	14,302,525	5,422,692	25,685	19,750,902
	Personal accident	Gross	1,255,229	1,184,384	98,467	2,538,080
		Net	695,165	732,921	19,366	1,447,452
	Other	Gross	16,759,918	27,432,581	9,157,542	53,350,041
		Net	9,921,310	7,093,314	4,500	17,019,124
Long term business	Ordinary life	Gross	30,256,928	85,000	-	30,341,928
		Net	28,286,299	-	-	28,286,299
	Group life	Gross	174,010,428	37,847,644	-	211,858,072
		Net	129,991,815	-	-	129,991,815
Total Gross			**266,586,625**	**120,614,889**	**27,404,700**	**414,606,214**
Total Net			**194,205,899**	**13,683,401**	**60,420**	**207,949,720**

A 10% change in the Group's claims experience would result in a Shs 326,978,000 change in the Group's profit for the year (2012: Shs 201,127,000).

(b) Credit risk - Group and Company

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Group by failing to pay amounts in full when due. Credit risk is an important risk for the Group's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise from;

- Investment balances;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review. The exposure to any one borrower is further restricted by sub-limits. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. None of the Group's credit risk counter parties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating. The Company classifies counterparties without an external credit rating as below:

Group 1 - new customers/related parties.
Group 2 - existing customers/related parties with no defaults in the past.
Group 3 - existing customers/related parties with some defaults in the past and the defaults having been fully recovered.

Maximum exposure to credit risk before collateral held

COMPANY				GROUP	
2013 Shs'000	2012 Shs'000	Assets	External credit rating	2013 Shs'000	2012 Shs'000
-	-	Government securities at fair value through profit & loss	B+	565,093	176,562
-	-	Government securities at amortised cost	B+	8,166,134	6,685,780
-	28,253	Corporate bond at fair value through profit or loss	Group 2	-	28,253
-	-	Corporate bond at amortised cost	Group 2	591,920	508,358
189,748	175,709	Unit trusts	Group 2	8,066,022	6,064,687
-	-	Mortgage loans	Group 2	793,815	812,022
-	-	Loans to policy holders	Group 2	376,778	309,455
-	-	Receivables arising out of reinsurance arrangements	Group 2	81,228	48,912
-	-	Receivables out of direct insurance arrangements	Group 2	1,053,931	540,599
-	-	Reinsurers' share of insurance contract liabilities	Group 2	2,410,417	2,396,262
-	-	Retirement benefit asset	Group 2	186	-
672,881	11,702	Receivables from related parties	Group 2	-	5,075
-	75,685	Other receivables		626,201	381,130
1,131,647	1,395,236	Deposits with financial institutions	Group 2	2,591,418	1,975,913
34,863	6,101	Cash and bank balances	Group 2	617,196	415,814
2,029,139	**1,692,686**	**Total**		**25,940,339**	**20,348,822**

The above table represents a worst case scenario of credit risk exposure to the Group and Company at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

As shown above, 33% of the total maximum exposure is derived from government securities (2012: 34%) and 33% to the unit trusts (2012: 34%). In the opinion of the directors there is no other significant concentration of the credit risk at year end.

Mortgage loans of Shs 793,815,000 (2012: Shs 812,022,000) are secured by collateral in the form of charges over land and building and/or plant and machinery or corporate guarantees. Policy loans of Shs 376,778,000 (2012: Shs 309,455,000) are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to Shs 2,016,337,000 (2012: Shs 2,236,638,000) while the surrender values of the policies with loans amounted to Shs 2,013,207,400 (2012: Shs 1,395,228,200).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from mortgage loans and debt securities based on the following:

- the Group exercises stringent controls over the granting of new loans
- 97% (2012: 98%) of the mortgages portfolio are neither past due nor impaired
- 100% (2012:100%) of the mortgages portfolio are backed by collateral
- 81% (2012: 80%) of the investments in debt securities are government securities.

The credit quality for the receivables that are neither past due nor impaired, can be classified as below:

	2013 Shs'000	2012 Shs'000
Receivables from direct insurance arrangements		
Counterparties without external credit rating - Group 2	1,053,931	540,599
Total	**1,053,931**	**540,599**
Receivables from reinsurance arrangements		
Counterparties without external credit rating - Group 2	81,228	48,912
Total	**81,228**	**48,912**

Financial assets that are past due but not impaired

GROUP

Mortgage loans are summarised as follows:		
Neither past due nor impaired	771,159	795,786
Past due but not impaired	22,656	16,236
Impaired	41,335	25,073
Gross	**835,150**	**837,095**
Less: provision for impairment	(41,335)	(25,073)
Net	**793,815**	**812,022**
Movement in the provision account		
At 1 January	25,073	25,073
Increase	16,262	-
As 31 December	**41,335**	**25,073**

Mortgage loans past due but not impaired

Loans and advances less than 180 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2013 Shs'000	2012 Shs'000
Past due up to 30 days	4,190	2,965
Past due 31 – 60 days	4,184	2,908
Past due 61 – 180 days	14,282	10,363
Total	**22,656**	**16,236**

The fair value of collateral approximates the carrying value of these loans.

Mortgage loans individually impaired

Mortgage loans are considered impaired if they fall in arrears for more than six months or other information becomes available which indicates that the borrower will not be able to meet their obligation.

Impaired mortgage loans of Shs 41,335,000 as at 31 December 2013 (2012: Shs 25,073,000) were secured by collateral of Shs 77,852,500 (2012: Shs 35,200,000)

As at 31 December 2013, there is no repossessed collateral and no renegotiated loans.

Receivables from direct insurance arrangements

Receivables from direct insurance arrangements are summarised as follows:

	2013 Shs '000	2012 Shs '000
Past due but not impaired	1,053,931	540,599
Impaired	6,768	6,768
Gross	1,060,699	547,367
Less: Provision for impairment	(6,768)	(6,768)
Net	**1,053,931**	**540,599**
Movements in the provision account :		
At 1 January	6,768	6,768
Increase	-	-
Write-offs	-	-
At 31 December	**6,768**	**6,768**

Receivables from direct insurance arrangements

Counterparties without external credit rating - Group 2	1,053,931	540,599
Total	**1,053,931**	**540,599**

Receivables from reinsurance arrangements

Counterparties without external credit rating - Group 2	81,228	48,912
Total	**81,228**	**48,912**

Receivables from direct insurance arrangements that are past due but not impaired

Receivables from direct insurance arrangements less than 180 days past due are not considered impaired, unless other information is available to indicate the contrary.

The amounts for receivables from direct insurance arrangements that were past due but not impared were as follows:

	2013 Shs' 000	2012 Shs' 000
Past due 1 – 60 days	534,441	413,409
Past due 61 – 90 days	147,380	53,726
Past due 91 - 180 days	372,110	73,464
Total	**1,053,931**	**540,599**

These receivables from direct insurance arrangements are unsecured.

Receivables from direct insurance arrangements individually impaired

Receivables from direct insurance arrangements are considered impaired if they fall in arrears for more than 180 days or other information becomes available that indicates that the debt may not be collected.

The total gross amount of impaired receivables is owed by brokers. Other than the above, there are no other financial assets that are either past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities as they fall due.

The Group is exposed to daily calls on its available cash resources from maturing policy, claims and calls on cash settled contingencies. The finance department monitors liquidity on a daily basis.

The table below presents the cash flows payable by the Group under liabilities by the remaining contractual maturities (other than insurance and investment contract liabilities which are based on expected maturities) at the reporting date. All figures are in thousands of Kenya Shillings and are presented undiscounted.

GROUP

At 31 December 2013	0–4 Months Shs' 000	5-12 Months Shs' 000	1-5 Years Shs' 000	Over 5 Years Shs' 000	Totals Shs' 000
Liabilities					
Insurance contract liabilities	563,395	761,335	5,464,935	26,838,133	33,627,798
Amounts payable under deposit administration contracts	410,549	1,211,266	4,803,357	7,923,143	14,348,315
Liabilities under investment contracts	106,946	336,524	4,622,220	3,625,113	8,690,803
Creditors arising out of reinsurance arrangements	107,709	-	-	-	107,709
Other payable	701,886	257,027	-	-	958,913
Overdraft	116,691	-	-	-	116,691
Total financial liabilities (at contractual maturity dates other than insurance contracts liabilities which are based on expected maturity) dates)	**2,007,176**	**2,566,152**	**14,890,512**	**38,386,389**	**57,850,229**

GROUP

At 31 December 2012	0–4 Months Shs' 000	5-12 Months Shs' 000	1-5 Years Shs' 000	Over 5 Years Shs' 000	Totals Shs' 000
Liabilities					
Insurance contract liabilities	158,091	85,202	970,303	16,625,834	17,839,430
Amounts payable under deposit administration contracts	292,990	864,424	3,678,955	8,047,974	12,884,343
Liabilities under investment contracts	-	54,681	3,509,741	3,366,049	6,930,471
Creditors arising out of reinsurance arrangements	176,602	7,259	-	-	183,861
Retirement benefit liability	-	14,080	-	-	14,080
Other payable	295,883	340,397	-	-	636,280
Overdraft	46,810	-	-	-	46,810
Total financial liabilities (at contractual maturity dates other than insurance contracts liabilities which are based on expected maturity) dates)	**970,376**	**1,366,043**	**8,158,999**	**28,039,857**	**38,535,275**

COMPANY

At 31 December 2013	0 – 4 Months Shs' 000	5-12 Months Shs' 000	1-5 Years Shs' 000	Totals Shs' 000
Liabilities				
Bank loan	-	-	-	-
Due to related parties	-	-	798,343	798,343
Other payables	-	143,953	-	143,953
Total financial liabilities (expected maturity dates)	**-**	**143,953**	**798,343**	**942,296**

At 31 December 2012	0 – 4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Totals Shs '000
Liabilities				
Bank loan	-	-	-	-
Due to related parties	-	-	649,022	649,022
Other payables	-	21,056	-	21,056
Total financial liabilities (expected maturity dates)	**-**	**21,056**	**649,022**	**670,078**

(d) Market risk

(i) Price risk

The Group is exposed to equity securities price risk because of investments in quoted shares classified either as either at fair value through profit or loss or fair value through other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

At 31 December 2013, if the Nairobi Securities Exchange (NSE) Index had changed by 15% (2012: 15%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated post tax profit for the year would have been Shs 1,062,730,000 (2012: Shs 686,492,000) higher/lower, and the equity would have been Shs 2,059,466,000 (2012: Shs 1,364,267,000) higher/lower. The Company's post tax profit for the year would have been Shs 182,931,000 (2012: Shs 351,201,000) higher/lower, and the Company's equity would have been Shs 226,920,000 (2012: Shs 734,085,000) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2013, the group held shares in Equity Bank Limited amounting to Shs 11,490,144,000 (2012: Shs 9,355,639,000) or 24.5% (2012: 26%) of the total assets.

(ii) Cash flow and fair value interest rate risk

The Group's interest bearing assets are quoted corporate bonds, mortgages, staff loans; inter-company loans, deposits with financial institutions, bank balances and policy loans all of which are at fixed rate. The Group also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. At 31 December 2013, if the yield on government securities classified as financial assets at fair value through profit or loss had been 1% higher/lower with all other variables held constant, the Group's post tax profit for the year would have been Shs 35,520 (2012: Shs 298,331) higher/lower. The Company did not have a material exposure to interest rate risk in 2013 and 2012.

(iii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Ugandan UGX, Rwanda RWF, South Sudan SSP, US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The directors have set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 December 2013, if the UGX had strengthened/weakened by 5% (2012: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,163,000 (2012: Shs 3,072,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated trade receivables and financial assets at fair value through profit or loss.

At 31 December 2013, if the SSP had strengthened/weakened by 5% (2012: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,666,000 (2012: Shs 4,000,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and financial assets at fair value through profit or loss.

At 31 December 2013, if the RWF had strengthened/weakened by 5% (2012: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,477,000 (2012:Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and financial assets at fair value through profit or loss.

The Group had no material exposure to the USD, Euro and GBP.

The company did not have material exposure to foreign exchange risk.

(e) Capital management

The Group's objectives when managing capital, which is a broader concept than 'equity' on the statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business;
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk; and
- To have sufficient capital to enable the Group subsidiaries comply with the capital requirements set by the various regulatory statutory acts in individual countries.

The Group's capital comprises share capital as disclosed on Note 13 and the regulatory capital held in subsidiary companies as disclosed below:

Capital adequacy and use of regulatory capital are monitored regularly by management. The following are the capital requirements for the subsidiary companies;

(i) British-American Insurance Company (Kenya) Limited

The capital requirement for insurance companies in Kenya was revised in 2007. Existing composite insurance companies were required to increase their capital to Shs 450 million by 2010. The insurance subsidiary, British-American Insurance Company (Kenya) Limited has met this requirement.

In addition to the capital requirements, the Group's insurance subsidiary is subject to solvency requirements by Insurance Regulatory Authority. These solvency requirements involve application of a formula that limits various assets by distribution of investment exposure to any single counter party, nature of asset etc. The Company met the required solvency margins at 31 December 2012 and 2013.

The table below summarises regulatory capital requirements and the capital maintained by Kenya insurance subsidiary at 31 December:

	2013		2012	
	Regulatory requirement Shs'000	Maintained by the Company Shs'000	Regulatory requirement Shs'000	Maintained by the Company Shs '000
Long-term				
Capital at 31 December	150,000	180,000	150,000	180,000
Solvency margin	1,255,003	3,579,211	950,520	2,043,637
Short-term				
Capital at 31 December	300,000	700,000	300,000	300,000
Solvency margin	372,436	1,311,463	286,160	979,229
Total Capital at 31 December	**450,000**	**880,000**	**450,000**	**480,000**
Total Solvency margin	**1,627,439**	**4,890,674**	**1,236,680**	**3,022,866**

(ii) British-American Asset Managers Limited

The Group's asset management subsidiary, British-American Asset Managers Limited, files the required information with the Capital Markets Authority on a quarterly basis. The Capital Markets Authority requires that the company maintains the following capital:

- Minimum share capital of Shs 10 million; and
- Working capital should not fall below the higher of 20% of the required minimum share capital of Shs 10 million or 3 times the average monthly operating costs.

The table below summarises regulatory capital requirements and the capital maintained by the asset management subsidiary, at 31 December:

	2013		2012	
	Regulatory requirement Shs'000	Maintained by the Company Shs'000	Regulatory requirement Shs'000	Maintained by the Company Shs '000
Capital at 31 December	10,000	340,038	10,000	169,624
Working capital at 31 December	77,500	258,973	53,765	140,367

(iii) Britam Insurance Company (Uganda) Limited

Britam Insurance Company (Uganda) Limited files the required information with Uganda Insurance Regulatory Authority. The capital requirement for insurance companies in Uganda was revised in 2011. Existing composite insurance companies are required to increase their capital to UGX 7 billion by September 2014. The table below summarises regulatory capital requirements and the capital maintained by Britam Insurance Company (Uganda) Limited subsidiary, at 31 December:

	2013		2012	
	Regulatory requirement UGX '000	Maintained by the Company UGX'000	Regulatory requirement UGX'000	Maintained by the Company UGX '000
Long-term				
Capital at 31 December	1,000,000	2,300,000	1,000,000	2,120,000
Short-term				
Capital at 31 December	1,000,000	9,000,000	1,000,000	4,600,000
Total Capital at 31 December	**2,000,000**	**11,300,000**	**2,000,000**	**6,720,000**

(iv) Britam Insurance Company Limited (South Sudan)

The capital requirement for insurance companies in South Sudan for composite insurance companies is USD 4.5 million which is an equivalent of SSPs 13.5million. This is meant to be paid within three years in three instalments. The table below summarises regulatory capital requirements and the capital maintained by Britam Insurance Company Limited (South Sudan) at 31 December:

	2013		2012	
	Regulatory requirement SSPS'000	Maintained by the Company SSPS'000	Regulatory requirement SSPS'000	Maintained by the Company SSPS'000
Capital at 31 December	**9,000**	**9,186**	**4,500**	**9,186**

(v) Britam Insurance Company (Rwanda) Limited

The capital requirement for insurance companies in Rwanda is Rwf 1 billion and the paid up share capital is Rwf 1.7 billion.

(f) Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value by level of the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 December 2013 and 2012:

GROUP 2013	Level 1	Level 2	Level 3	Total
Assets	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	7,632,998	-	-	**7,632,998**
- Unquoted ordinary shares	-	-	3,770	**3,770**
- Government securities	-	565,093	-	**565,093**
- Unit trusts	-	8,066,022	-	**8,066,022**
- Corporate bonds	-	-	-	**-**
Quoted ordinary shares at fair value through other comprehensive income	6,109,614	-	-	**6,109,614**
Property and equipment – building (Note 17)	-	573,414	-	**573,414**
Investment property	-	3,782,181	-	**3,782,181**
Total assets	**13,742,612**	**12,986,710**	**3,770**	**26,733,092**
Liabilities				
Liabilities under investment contracts	-	6,414,370	-	**6,414,370**
Total Liabilities	**-**	**6,414,370**	**-**	**6,414,370**

GROUP 2012	Level 1	Level 2	Level 3	Total
Assets	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	6,084,289	-	-	**6,084,289**
- Unquoted ordinary shares	-	-	54,009	**54,009**
- Government securities	-	176,562	-	**176,562**
- Unit trusts	-	6,064,687	-	**6,064,687**
- Corporate bonds	-	28,253	-	**28,253**
Quoted ordinary shares at fair value through other comprehensive income	4,937,397	-	-	**4,937,397**
Property and equipment – building (Note 17)	-	546,715	-	**546,715**
Investment property	-	1,706,057	-	**1,706,057**
Total assets	**11,021,686**	**8,522,274**	**54,009**	**19,597,969**
Liabilities				
Liabilities under investment contracts	-	4,845,527	-	**4,845,527**
Total Liabilities	**-**	**4,845,527**	**-**	**4,845,527**

COMPANY 2013	Level 1	Level 2	Total
Assets	Shs'000	Shs'000	Shs'000
Financial assets at fair value through profit or loss			
• Quoted equity securities	2,534,524	-	**2,534,524**
• Unit trusts	-	189,748	**189,748**
• Corporate bonds	-	-	**-**
Equity investments at fair value through other comprehensive income	3,178,840	-	**3,178,840**
Total assets	**5,713,364**	**189,748**	**5,903,112**

COMPANY 2012 Assets	Level 1 Shs'000	Level 2 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss			
• Quoted ordinary shares	3,344,775	-	**3,344,775**
• Unit trusts	-	175,709	**175,709**
• Corporate bonds	-	28,253	**28,253**
Quoted ordinary shares at fair value through other comprehensive income	1,549,122	-	**1,549,122**
Total assets	**4,893,897**	**203,962**	**5,097,859**

There were no transfers between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified at fair value through profit or loss or at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market (for example, government bonds and investments in unit trusts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of government securities is based on a yield curve which is based on trades of equivalent bonds in the Nairobi stock exchange.
- The fair value of unit trusts is based on the computed net share in each fund which is based on applying the market value of underlying investments to units held.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group had level 3 financial instruments (unquoted stock) amounting to Shs 3,770,000 as at 31 December 2013 (2012: 54,009,000). The following table presents the changes in Level 3 instruments for the year ended 31 December.

	GROUP 2013 Shs '000	2012 Shs '000
At start of year	54,009	50,490
Additions	251	3,519
Reclassification of equities	(50,490)	-
At end of year	**3,770**	**54,009**

In 2013, the Group reclassified some of the unquoted ordinary shares at fair value through profit or loss from Level 3 into Level 2 as the company which the Group owned the unquoted shares was listed in the Nairobi Securities Exchange in 2013.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the financial reporting date.

The table here below shows the fair value amounts of assets being carried at amortised cost;

GROUP

	2013		2012	
	Carrying amounts at amortised Shs '000	Fair value Shs '000	Carrying amounts at amortised Shs '000	Fair value Shs '000
Assets				
Government securities	8,166,134	7,870,083	6,514,445	6,685,780
Mortgage loans	793,815	793,815	812,022	812,022
Policy loans	376,778	376,778	309,455	309,455

The fair value of the Group's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual reprising or maturity dates.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The key source of estimation uncertainty is the mortality rates, future interest rates, future expenses, tax and inflation.

5 Segmental information

Management has determined the operating segments based on the reports reviewed by the Executive Management Board that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Group is organised on a product basis into five operating segments. These segments distribute their products through various forms of brokers, agencies and direct marketing programmes. Management identifies its reportable operating segments by product line consistent with the reports used by the Executive Management Board. These segments and their respective operations are as follows:

(i) Long term insurance business

Protection of the Group's customers against the risk of premature death, disability, critical illness and other accidents. All contracts in this segment offer fixed and guaranteed benefits over the contractual term. Revenue from this segment is derived primarily from insurance premium, investment income, net realised gains on financial assets and net fair value gains on financial assets at fair value through profit or loss.

Life Insurance offers an extensive range of products that serve the wide array of insurance needs of its customers including: unit linked products, education plans, whole life plans and other conventional products. It also provides group life and critical illness products, disability products, individual pension plans, umbrella pension plans and corporate pension plans.

(ii) Short term insurance business

The protection of customers' assets (particularly their properties, both for personal and commercial business.) All contracts in this segment are over a short contractual term. Revenue in this segment is derived primarily from insurance premiums, investment income, net realised gains on financial assets, and net fair value gains on financial assets at fair value through profit or loss.

(iii) Asset Management

The Asset Management products include:
discretionary/segregated portfolio management services, wealth management services as well as Unit Trust Funds.

(iv) Corporate and Other

Includes corporate operations, after allocations to operating segments. Corporate operations consist primarily of (1) corporate level income and expenses; (2) returns from investments not allocated to any operating segments, including debt-financed investment portfolios.

(v) Property

Includes purchase and sale of property. It also includes buying of land, developing it and selling it off to third parties or even renting it out.

Most of the contracts are long term in nature. The major sources of income will be from sale of property, rent income and from property revaluation.

The segment information provided to the Executive Management Board for the reportable segments for the year ended 31 December 2013 is as follows:

2013	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Gross revenue	5,030,571	3,816,595	613,511	-	-	9,460,677
Insurance premium ceded to reinsurers	(369,608)	(726,359)	-	-	-	(1,095,967)
Net insurance premium revenue	4,660,963	3,090,236	613,511	-	-	8,364,710
Investment income	2,029,133	237,516	10,511	207,386	365,031	2,849,577
Net realised gains on financial assets	263,182	43,990	-	-	(74,445)	232,727
Net fair value gains on financial assets at fair value through profit or loss	2,695,869	62,974	5,695	-	591,004	3,355,542
Commissions earned	143,530	226,990	-	-	-	370,520
Other operating income	22,825	24,271	-	-	-	47,096
Net Income	**9,815,502**	**3,685,977**	**629,717**	**207,386**	**881,590**	**15,220,172**
Inter-segment revenue	(90,114)	-	-	-	-	(90,114)
Revenue from external customers	**9,725,388**	**3,685,977**	**629,717**	**207,386**	**881,590**	**15,130,058**
Insurance claims and loss adjustment expenses	1,475,955	1,794,355	-	-	-	3,270,310
Insurance claims recovered from reinsurers	(102,780)	(190,479)	-	-	-	(293,259)
Change in actuarial value of policyholders benefits	1,858,282	(8,613)	-	-	-	1,849,669
Net insurance benefits and claims	3,231,457	1,595,263	-	-	-	4,826,720
Interest payments/increase in unit value	2,204,587	-	-	-	-	2,204,587
Acquisition expenses	1,245,311	551,346	76,628	-	-	1,873,285
Expenses	1,337,095	1,067,894	308,828	6,988	490,185	3,210,990
Net expenses	**2,582,406**	**1,619,240**	**385,456**	**6,988**	**490,185**	**5,084,275**
Reportable segment profit	**1,706,938**	**471,474**	**244,261**	**200,398**	**391,405**	**3,014,476**
Share of profit of associates	154,508	19,097	-	8,080	-	181,685
Profit before tax	**1,861,446**	**490,571**	**244,261**	**208,478**	**391,405**	**3,196,161**
Depreciation and amortisation	76,317	58,022	7,999	-	4,438	146,776
Interest revenue	868,690	216,599	9,941	-	148,285	1,243,515
Income tax expense	300,000	157,109	72,753	-	12,510	542,372
Total assets	**31,937,289**	**7,532,334**	**469,538**	**866,092**	**6,097,325**	**46,902,578**
Total assets include:						
Investments in associates	1,395,238	175,751	-	296,092	-	1,867,081
Additions to non-current assets	4,946,681	1,094,240	12,709	-	354,103	6,407,733
Total liabilities	**24,451,727**	**4,851,070**	**129,086**	**-**	**535,898**	**29,967,781**

2012	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Gross revenue	3,946,044	2,903,648	377,208	-	-	7,226,900
Insurance premium ceded to reinsurers	(307,116)	(585,885)	-	-	-	(893,001)
Net insurance premium revenue	3,638,928	2,317,763	377,208	-	-	6,333,899
Investment income	1,317,365	175,411	9,674	-	834,279	2,336,729
Net realised gains on financial assets	37,436	6,471	-	-	1,647	45,554
Net fair value gains on financial assets at fair value through profit or loss	1,809,555	37,366	3,980	-	1,181,191	3,032,092
Commissions earned	107,354	200,285	-	-	-	307,639
Other operating income	19,970	33,214	-	-	-	53,184
Net Income	**6,930,608**	**2,770,510**	**390,862**	**-**	**2,017,117**	**12,109,097**
Inter-segment revenue	(65,713)	-	-	-	(300,000)	(365,713)
Revenue from external customers	**6,864,895**	**2,770,510**	**390,862**	**-**	**1,717,117**	**11,743,384**
Insurance claims and loss adjustment expenses	1,353,070	2,929,844	-	-	-	4,282,914
Insurance claims recovered from reinsurers	(61,111)	(1,741,908)	-	-	-	(1,803,019)
Change in actuarial value of policyholders benefits	1,189,436	-	-	-	-	1,189,436
Net insurance benefits and claims	2,481,395	1,187,936	-	-	-	3,669,331
Interest payments/increase in unit value	1,608,828	-	-	-	-	1,608,828
Acquisition expenses	1,008,268	408,246	59,572	-	-	1,476,086
Expenses	1,115,101	582,480	208,341	-	380,656	2,286,578
Net expenses	**2,123,369**	**990,726**	**267,913**	**-**	**380,656**	**3,762,664**
Reportable segment profit	**651,303**	**591,848**	**122,949**	**-**	**1,336,461**	**2,702,561**
Share of profit of associates	130,693	16,152	-	-	-	146,845
Profit before tax	**781,996**	**608,000**	**122,949**	**-**	**1,336,461**	**2,849,406**
Depreciation and amortisation	55,341	33,306	8,590	-	2,498	99,735
Interest revenue	745,834	154,605	9,632	-	377,855	1,287,926
Interest expense	-	-	-	-	165,470	165,470
Income tax expense	90,000	193,063	36,558	-	10,324	329,945
Total assets	**24,196,055**	**6,136,178**	**232,115**	**-**	**5,255,817**	**35,820,165**
Total assets include:						
Investments in associates	1,301,716	158,110	-	-	-	1,459,826
Additions to non-current assets	4,831,558	1,209,364	12,709	-	354,103	6,407,734
Total liabilities	**18,429,655**	**4,331,562**	**56,280**	**-**	**530,344**	**23,347,841**

The revenue from external parties reported to the Executive Management Board is measured in a manner consistent with that in the income statement. No inter-segment transactions occurred during 2013 and 2012. The Executive Management Board assesses the performance of the operating segments based on the profit before tax as detailed above.

The amounts provided to the Executive Management Board with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The entity is domiciled in Kenya. The results of its revenue from external customers are as follows:

	2013 Shs'000	2012 Shs'000
Kenya	9,166,721	7,138,391
Uganda	179,710	87,482
South Sudan	114,160	1,027
Rwanda	86	-
Total	**9,460,677**	**7,226,900**

Revenues are allocated based on the country in which the insurance and other contracts are issued. Management considers its external customers to be the individual policyholders and investors; as such the Group is not reliant on any individual customer.

The total of all assets are allocated as follows:

	2013 Shs'000	2012 Shs'000
Kenya	45,848,312	35,448,687
Uganda	599,803	182,168
South Sudan	260,749	189,310
Rwanda	193,715	-
Total	**46,902,579**	**35,820,165**

The total of non-current assets, other than financial instruments, deferred tax assets, post-employment benefits and risks arising under insurance contracts are allocated as follows:

	2013 Shs'000	2012 Shs'000
Kenya	4,971,060	2,699,501
Uganda	29,088	31,420
South Sudan	30,301	37,189
Rwanda	49,643	-
Total	**5,080,092**	**2,768,110**

6 (i) Gross revenue

The gross revenue of the Group can be analysed between the main classes of business as shown below:

	GROUP	
Insurance business	**2013 Shs'000**	**2012 Shs'000**
Long term insurance business		
- Ordinary life	3,774,600	2,827,779
- Group life	1,255,970	1,118,265
Total long term business	**5,030,570**	**3,946,044**
Short term insurance business		
- Motor	1,353,374	1,152,161
- Fire	258,777	201,909
- Marine	182,710	155,050
- Personal accident and medical	1,352,921	1,053,581
- Other	668,814	340,947
Total short term business	**3,816,596**	**2,903,648**
Total insurance premium	**8,847,166**	**6,849,692**
Asset management business – management fees		
- Unit trusts	339,031	192,905
- Discretionary & wealth management	84,354	64,487
- Alternative investments	187,571	117,947
- Other	2,555	1,869
Total asset management fees	**613,511**	**377,208**
Gross revenue	**9,460,677**	**7,226,900**

6 (ii) Reinsurance ceded

Long term insurance business		
- Ordinary life	49,295	48,086
- Group life	320,313	259,030
Total long term business	**369,608**	**307,116**
Short term insurance business		
- Motor	43,322	34,837
- Fire	177,812	132,661
- Marine	150,097	142,552
- Personal accident and medical	206,892	182,208
- Other	148,236	93,627
Total short term business	**726,359**	**585,885**
Total reinsurance ceded	**1,095,967**	**893,001**

7 (i) Investment income

	GROUP	
	2013	2012
	Shs'000	Shs'000
Interest from government securities	829,619	650,756
Bank deposit interest	203,955	504,148
Other interest receivable	132,682	133,021
Rental income from investment properties	50,578	37,099
Fair value gain on investment properties (Note 21)	996,093	180,132
Gain on sale of investment property	-	2,592
Dividends receivable from quoted ordinary shares at fair value through profit or loss	289,465	239,508
Dividends receivable from quoted ordinary shares at fair value through other comprehensive income	257,071	223,760
Total investment income	**2,759,463**	**1,971,016**

7 (ii) Net realised gains on financial assets

Realised (loss)/gains on government securities at fair value through profit or loss	(1,181)	6,520
Realised gain on quoted ordinary shares at fair value through profit or loss	193,768	38,420
Realised gains on sale of unit trusts	40,140	614
Total net realised gains	**232,727**	**45,554**

7 (iii) Net fair value gains on financial assets at fair value through profit or loss

Fair value gain on quoted ordinary shares at fair value through profit or loss	1,744,380	1,853,741
Fair value gain on government securities at fair value through profit or loss	7,235	23,245
Fair value gains on unit trusts	1,603,927	1,155,106
Total net fair value gains	**3,355,542**	**3,032,092**

8 (i) Commissions earned

Long term insurance business	143,530	105,538
Short term insurance business	226,990	202,101
Total commission earned	**370,520**	**307,639**

8 (ii) Other income

Fee income		
- arising on long term insurance contracts	20,155	2,567
- arising on short term insurance contract	-	20,670
- arising on deposit administration	22,953	28,275
- other miscellaneous	3,988	1,672
Total other income	**47,096**	**53,184**

9 (i) Net claims and policyholder benefits payable

	GROUP	
	2013	2012
	Shs'000	Shs'000
Long term business		
Insurance contracts with fixed and guaranteed terms		
- death, maturity and surrender benefits	884,019	893,178
- bonuses	586,733	459,893
- Increase in policy holders' liabilities	1,849,669	1,189,436
Less: reinsurers' share	(102,780)	(61,111)
Total Long term	**3,217,641**	**2,481,396**
Short term business		
Claims payable by principal class of business:		
- Motor	762,991	572,147
- Fire	12,496	96,680
- Personal accident and medical	698,768	454,866
- Marine	51,185	1,709,967
- Other	274,118	96,183
Less: reinsurers' share	(190,479)	(1,741,908)
Total short term	**1,609,079**	**1,187,935**
Total long term and short term	**4,826,720**	**3,669,331**

9 (ii) Interest payments/increase in unit value

Long term business		
Interest on deposit administration contract (Note 42)	1,029,210	799,389
Fair value gains on investment contracts (Note 43)	1,175,377	809,439
Total interest payments	**2,204,587**	**1,608,828**

10 (i) Operating and other expenses by nature

Staff costs (Note 10)	1,206,410	771,241
Auditor's remuneration	16,664	11,390
Depreciation on property and equipment (Note 17)	122,082	77,184
Amortisation of intangible assets (Note 18)	24,695	22,551
Provision for impairments on receivables	-	192
Repairs and maintenance expenditure	7,137	7,016
Other expenses	1,834,002	1,397,004
Total operating and other expenses	**3,210,990**	**2,286,578**

10 (ii) Staff costs

	GROUP 2013 Shs'000	2012 Shs'000
Staff costs include the following:		
Salaries and wages	1,006,802	683,929
Retirement benefits costs		
- defined contribution scheme	183,788	76,618
- defined benefit scheme (Note 46)	6,925	8,182
- Social security benefits costs	8,895	2,512
Total staff costs	**1,206,410**	**771,241**

The number of persons employed by the Group at the year-end was 497 (2012: 376).

11 Commissions payable

Long term insurance business	1,245,311	1,008,268
Short term insurance business	551,346	408,286
Asset management business	76,628	59,532
Total commissions payable	**1,873,285**	**1,476,086**

12 Income tax expense

Current income tax	543,429	330,161
Deferred tax	(1,057)	(216)
Income tax expense	**542,372**	**329,945**

The Group's current tax charge is computed in accordance with income tax rules applicable to the subsidiaries. Deferred tax losses in the asset management business has however been provided for since the recovery of those losses is reasonably certain in the foreseeable future. A reconciliation of the tax charge is shown below. The income not subject to tax is mainly unrealised gains, which forms the bulk of the Company's investment income. The current year's tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory income tax rates as follows:

	2013 Shs'000	2012 Shs'000
Profit before tax	3,196,161	2,702,561
Tax calculated at a tax rate of 30% (2012: 30%)	958,848	810,768
Add / (less):		
- Tax effect of income not subject to tax	(495,456)	(517,416)
- Overprovision of deferred tax for prior year	(1,156)	-
- Tax effect of expenses not deductible for tax purposes	80,136	36,593
Income tax expense	**542,372**	**329,945**

The tax (charge) /credit relating to components of other comprehensive income is as follows:

	2013 Before tax Shs'000	2013 Tax (charge) credit Shs'000	2013 After tax Shs'000	2012 Before tax Shs'000	2012 Tax (charge) credit Shs'000	2012 After tax Shs'000
Currency translation losses	(2,954)	-	(2,954)	(10,689)	-	(10,689)
Remeasurement of the net defined benefit asset	14,266	-	14,266	-	-	-
Fair value gains:						
– Building	26,699	-	26,699	147,967	-	147,967
– Financial assets at fair value through other comprehensive income	1,512,800	-	1,512,800	1,527,995	-	1,527,995
Other comprehensive income	**1,550,811**	**-**	**1,550,811**	**1,665,273**	**-**	**1,665,273**

13 Share capital

GROUP AND COMPANY	Number of shares Thousands	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
Balance at 1 January 2013 and 31 December 2013	1,891,452	189,145	3,164,455	3,353,600

Ordinary shares

The total number of authorised shares is 2,150 million with par value of Shs 10 cents per share (2012: 2,150 million with par value of Shs 10 cents). The number of shares issued is 1,891 million with par value of Shs 10 cents per share (2012: 1,891 million with par value of Shs 10 cents per share). All shares issued are fully paid and carry equal voting rights.

Treasury shares

Treasury shares comprise shares acquired in the market by the life fund to fund policyholder liabilities.

The Company holds nil (2012; Shs 92,401,600) of its own ordinary shares through purchases on the Nairobi Securities Exchange. While the total amount paid to acquire the shares totalling Shs 829,752,000 net of income tax had been deducted from other reserves, the sale realised Shs 752,861,000 with other reserves reinstated to the same extent.

14 Other reserves

Other reserves include fair value reserves arising from revaluation of financial assets carried as at fair value through other comprehensive income, revaluation reserves on buildings and general reserves which are undistributed retained earnings all for the long term business. General reserves represent accumulated surpluses from the life fund whose distribution is subject to the restrictions imposed by the Kenyan Insurance Act. The Insurance Act limits the amounts of surpluses of the life business available for distribution to shareholders to 30% of the accumulated surplus of the life business. A transfer to or from retain earnings is recorded each year to ensure that only amounts available for distribution to shareholders are held in the retained earnings.

GROUP

	Fair value reserve Shs '000	Revaluation reserve Shs '000	Foreign currency Translation Shs '000	Treasury shares Shs '000	General Shs '000	Total Shs '000
Balance at 1 January 2013	**4,967,592**	**250,314**	**(18,848)**	**(829,752)**	**1,376,213**	**5,745,519**
Transfer of reserves on adoption of IFRS 9	568,850	-	-	-	-	568,850
Revaluation gain on building	-	26,699	-	-	-	26,699
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 22(ii)	1,512,800	-	-	-	-	1,512,800
Transfer from retained earnings	-	-	-	-	1,305,965	1,305,965
Capitalisation of reserves by subsidiary	-	-	-	-	400,000	400,000
Treasury shares (Note 13)	-	-	-	829,752	(76,892)	752,860
Remeasurement of the net defined benefit asset	-	-	-	-	14,266	14,266
Currency translation losses	-	-	(2,954)	-	-	(2,954)
Balance at 31 December 2013	**7,049,242**	**277,013**	**(21,802)**	**-**	**3,019,552**	**10,324,005**
Balance at 1 January 2012	3,439,597	102,347	(8,159)	(829,752)	827,171	3,531,204
Revaluation gain on building	-	147,967	-	-	-	147,967
Revaluation losses on quoted ordinary shares investments at fair value through other comprehensive income (Note 22(ii))	1,527,995	-	-	-	-	1,527,995
Transfer from retained earnings	-	-	-	-	549,042	549,042
Treasury shares (Note 13)	-	-	-	-	-	-
Currency translation losses	-	-	(10,689)	-	-	(10,689)
Balance at 31 December 2012	**4,967,592**	**250,314**	**(18,848)**	**(829,752)**	**1,376,213**	**5,745,519**

COMPANY

Other reserves are comprised of fair value reserves arising from revaluation of assets carried at fair value through other comprehensive income. The movement is shown on page 64.

15 Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 13)

There were no potentially dilutive shares as at 31 December 2013 or 31 December 2012.

	2013	2012
Profit attributed to equity holders (Shs' thousands)	2,653,789	2,519,461
Weighted number of ordinary shares in issue (thousands)	1,891,452	1,891,452
Basic and diluted earnings per share (Shs)	**1.40**	**1.33**

16 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting. At the annual general meeting to be held on 20 June 2014, a final dividend in respect of the year ended 31 December 2013 of Shs 0.25 per share (2012: Shs 0.25) amounting to a total of Shs 472,863,000 is to be proposed (2012: Shs 472,863,000). Payment of dividends is subject to withholding tax at the rate of either 5% or 10%, depending on the residence of the individual shareholders. The estimated withholding tax payable is Shs 22,289,000 (2012: Shs 22,289,000).

17 Property and equipment

GROUP

	Buildings Shs'000	Leasehold Improvements Shs'000	Motor vehicles Shs'000	Furniture, Fittings & Office equipment Shs'000	Computer Equipment Shs'000	Total Shs'000
Year ended 31 December 2013						
Cost or valuation						
At start of year	546,715	241,428	35,103	412,401	134,810	1,370,457
Additions	-	65,505	27,722	178,147	39,317	310,691
Disposals	-	-	-	(918)	(651)	(1,569)
Reclassification	-	-	-	(939)	(602)	(1,541)
Valuation surplus	26,699	-	-	-	-	26,699
At end of year	**573,414**	**306,933**	**62,825**	**588,691**	**172,874**	**1,704,737**
Depreciation						
At start of year	-	151,524	16,990	168,704	85,003	422,221
Charge for the year	-	14,671	5,529	79,911	21,971	122,082
Additions	-	-	-	62	-	62
Disposal	-	-	-	(765)	(602)	(1,367)
Reclassification	-	-	-	(939)	(602)	(1,541)
At end of year	**-**	**166,195**	**22,519**	**246,973**	**105,770**	**541,457**
Net book amount						
At 1 January 2013	**546,715**	**89,904**	**18,113**	**243,697**	**49,807**	**948,236**
At 31 December 2013	**573,414**	**140,738**	**40,306**	**342,718**	**67,104**	**1,163,280**
Year ended 31 December 2012						
Cost or valuation						
At start of year	398,748	183,160	29,953	270,191	116,344	998,396
Additions	-	58,268	5,150	142,325	18,466	224,209
Disposals	-	-	-	(115)	-	(115)
Valuation	147,967	-	-	-	-	147,967
At end of year	**546,715**	**241,428**	**35,103**	**412,401**	**134,810**	**1,370,457**
Depreciation						
At start of year	-	139,689	11,231	126,930	67,186	345,036
Charge for the year	-	11,835	5,759	41,774	17,817	77,185
Disposal	-	-	-	-	-	-
At end of year	**-**	**151,524**	**16,990**	**168,704**	**85,003**	**422,221**
Net book amount						
At 1 January 2012	**398,748**	**43,471**	**18,722**	**143,261**	**49,158**	**653,360**
At 31 December 2012	**546,715**	**89,904**	**18,113**	**243,697**	**49,807**	**948,236**

COMPANY	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture, Fittings & Office equipment Shs'000	Computer Equipment Shs'000	Total Shs'000
Year ended 31 December 2013					
Cost or valuation					
At start of year	5,707	5,179	2,769	1,372	15,027
Additions	5,934	20,611	2,572	2,907	32,024
At end of year	**11,641**	**25,790**	**5,341**	**4,279**	**47,051**
Depreciation					
At start of year	374	4,316	813	483	5,986
Charge for the year	996	1,454	829	584	3,863
At end of year	**1,370**	**5,770**	**1,642**	**1,067**	**9,849**
Net book amount					
At 1 January 2013	**5,333**	**863**	**1,956**	**889**	**9,041**
At 31 December 2013	**10,271**	**20,020**	**3,699**	**3,212**	**37,202**
Year ended 31 December 2012					
Cost or valuation					
At start of year	1,401	5,179	2,092	925	9,597
Additions	4,306	-	677	447	5,430
At end of year	**5,707**	**5,179**	**2,769**	**1,372**	**15,027**
Depreciation					
At start of year	65	3,280	353	274	3,972
Charge for the year	309	1,036	460	209	2,014
At end of year	**374**	**4,316**	**813**	**483**	**5,986**
Net book amount					
At 1 January 2012	**1,336**	**1,899**	**1,739**	**651**	**5,625**
At 31 December 2012	**5,333**	**863**	**1,956**	**889**	**9,041**

In the opinion of the directors, there is no impairment of leasehold improvements and equipment. The valuation of land and buildings was carried out by independent, registered professional valuers, GIMCO Limited on 29 December 2013 in an open market basis. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in `other reserves' in shareholders' equity (Note 14).

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The carrying amount of the building would be as shown below had it been carried out under the cost model.

	2013 Shs'000	2012 Shs'000
Cost	392,095	392,095
Accumulated Depreciation	271,838	259,482
Net Book Value	**120,257**	**132,613**

All property and equipment is classified as noncurrent assets.

18 Intangible assets

Computer and software costs	GROUP 2013 Shs'000	GROUP 2012 Shs'000	COMPANY 2013 Shs'000	COMPANY 2012 Shs'000
At the start of year	113,817	114,830	3,356	3,388
Additions	45,507	21,538	744	452
Amortisation	(24,695)	(22,551)	(575)	(484)
At end of year	**134,629**	**113,817**	**3,525**	**3,356**
Cost	333,078	287,087	4,584	3,840
Accumulated amortisation	(198,449)	(173,270)	(1,059)	(484)
Net book amount	**134,629**	**113,817**	**3,525**	**3,356**

Intangible assets are classified as noncurrent assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

19 Investment in subsidiary companies – Company

The Company had the following subsidiaries at 31 December 2013:

	% holding in equity shares	2013 Shs'000	2012 Shs'000
British-American Insurance Company (Kenya) Limited	100	480,000	480,000
British-American Asset Managers Limited	100	80,000	80,000
Britam Insurance Company (Uganda) Limited	100	400,000	240,000
Britam Insurance Company Limited(South Sudan)	100	250,000	250,000
Britam Insurance Company (Rwanda) Limited	100	250,000	-
Bramer Properties Limited	100	100	-
Total Investment		**1,460,100**	**1,050,000**

None of the subsidiaries have significant restrictions. All subsidiary undertakings are included in the consolidation.

20 Investment in associates – Group

	2013 Shs'000	2012 Shs'000
At the start of the year	1,459,826	1,360,608
Additions during the year	288,012	20,000
Share of profits	181,685	146,845
Dividends received	(62,442)	(67,627)
At end of year	**1,867,081**	**1,459,826**

Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates at 31 December 2013 and 2012:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the Relationship	
Housing Finance	Kenya	21.46%	Note 1	Equity
Acorn Group Limited	Kenya	25%	Note 2	Equity

Note 1: Housing Finance (HF) is the leading mortgage provider bank and a premier property developer that leads in offering of integrated solutions for the property and real estate investment, housing and property developments in Kenya. HF is a strategic partnership for the Group, providing access to new customers and distribution channels for the insurance business and experience in property development.

Note 2: Acorn Group Limited is a leading real estate investment partner offering solutions that range from project management to development and acquisition partnership in the Kenyan real estate sector, making it a strategic partner for the Group's property development strategy.

As at 31 December 2013, the fair value of the Group's interest in HF, which is listed on the Nairobi Securities Exchange, was Shs 1,554,479,000 (2012: Shs 764,902,000) and the carrying amount of the Group's interest was Shs 1,570,989,000 (2012: Shs 1,459,826,000).

Acorn Group Limited is a private company and there is no quoted market price available for its shares, as at 31 December 2013, the carrying amount of the Group's interest was Shs 296,092,000 (2012: Nil).

There are no contingent liabilities relating to the Group's interest in the associates.

Summarised financial information for associates

Summarised statement of financial position

	Housing Finance		Acorn Group		Total	
	2013	2012	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Current						
Cash and cash equivalents	8,597,555	7,850,317	165,678	8,452	8,763,233	7,858,769
Other current assets (excluding cash)	789,770	1,361,187	276,596	326,899	1,066,366	1,688,086
Total current assets	**9,387,325**	**9,211,504**	**442,274**	**335,351**	**9,829,599**	**9,546,855**
Financial liabilities (excluding trade payables)	(26,588,851)	(22,968,309)	(210,060)	(343,500)	(26,798,911)	(23,311,809)
Other current liabilities (including trade payables)	(468,033)	(656,335)	(100,379)	(53,947)	(568,412)	(710,282)
Total current liabilities	**(27,056,884)**	**(23,624,644)**	**(310,439)**	**(397,447)**	**(27,367,323)**	**(24,022,091)**
Non-current						
Assets	37,367,786	31,474,424	488,993	226,365	37,856,779	31,700,789
Financial liabilities	(14,016,374)	(11,915,466)	(16,661)	-	(14,033,035)	(11,915,466)
Other liabilities	-	-	(1,075)	-	(1,075)	-
Total non-current liabilities	**(14,016,374)**	**(11,915,466)**	**(17,736)**	**-**	**14,034,110)**	**(11,915,466)**
Net assets	**5,681,853**	**5,145,818**	**603,092**	**164,269**	**6,284,945**	**5,310,087**

Summarised statement of comprehensive income

	Housing Finance 2013 Shs'000	Acorn Group 2013 Shs'000	Total 2013 Shs'000	Housing Finance 2012 Shs'000	Acorn Group 2012 Shs'000	Total 2012 Shs'000
Revenue	5,440,059	432,379	5,872,438	5,068,815	150,124	5,218,939
Depreciation and amortisation	(79,469)	8,460	(71,009)	(63,463)	1,349	(62,114)
Interest expense	(2,887,052)	(44,224)	(2,931,276)	(3,118,858)	(28,801)	(3,147,659)
Profit or loss from continuing operations	**1,213,429**	**282,920**	**1,496,349**	**902,001**	**65,500**	**(967,501)**
Income tax expense	(404,461)	(27,276)	(431,737)	(270,600)	6,417	(264,183)
Post-tax profit from continuing operations	**808,968**	**255,644**	**1,064,612**	**631,400**	**71,917**	**703,317**
Other comprehensive income	57,018	-	57,018	(2,503)	-	(2,503)
Total comprehensive income	865,986	255,644	1,121,630	628,897	71,917	700,814
Dividends received from associate	62,441	-	62,441	67,627	-	67,627

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates:

	Housing Finance 2013 Shs'000	Acorn Group 2013 Shs'000	Total 2013 Shs'000	Housing Finance 2012 Shs'000	Acorn Group 2012 Shs'000	Total 2012 Shs'000
Opening net assets 1 January	**5,145,818**	**164,269**	**5,310,087**	**4,782,218**	**92,003**	**4,874,221**
Profit for the year	808,969	255,643	1,064,612	687,053	71,917	758,970
Other comprehensive income	57,013	-	57,013	(2,503)	-	(2,503)
Transactions with owners recorded directly in equity	(329,947)	183,180	(146,767)	(320,950)	349	(320,601)
Closing net assets	**5,681,853**	**603,092**	**6,284,945**	**5,145,818**	**164,269**	**5,310,087**
Interest in associates (21.46%; 25%)	1,194,709	150,773	1,345,482	1,083,546	-	1,083,546
Goodwill	376,280	145,319	521,599	376,280	-	376,280
Carrying value	**1,570,989**	**296,092**	**1,867,081**	**1,459,826**	**-**	**1,459,826**

21 Investment property

	GROUP 2013 Shs'000	GROUP 2012 Shs'000
At start of year	1,706,057	1,405,294
Additions	1,080,031	120,631
Fair value gains	996,093	180,132
At end of year	**3,782,181**	**1,706,057**

The valuation exercise was carried out by Gimco Limited, registered professional valuers on 29 December 2013. Investment property is valued on an open market basis. An investment in property is classified as noncurrent asset.

22 Quoted ordinary shares

(i) At fair value through other comprehensive income

	GROUP 2013 Shs'000	GROUP 2012 Shs'000	COMPANY 2013 Shs'000	COMPANY 2012 Shs'000
At start of year	4,937,397	3,409,402	1,549,122	1,069,710
Reclassification of ordinary shares on IFRS 9 adoption	140,553	-	1,387,216	-
Disposals	(481,136)	-	(481,136)	-
Fair value gains	1,512,800	1,527,995	723,638	479,412
At end of year	**6,109,614**	**4,937,397**	**3,178,840**	**1,549,122**

(ii) At fair value through profit or loss

At start of year	6,084,289	4,281,483	3,344,775	2,685,559
Reclassification of ordinary shares on IFRS 9 adoption	(140,553)	-	(1,387,216)	-
Transfer from unquoted ordinary shares	50,490	-	-	-
Additions	193,423	59,260	-	-
Disposals	(299,031)	(110,195)	-	(375,904)
Fair value gains	1,744,380	1,853,741	576,965	1,035,120
At end of year	**7,632,998**	**6,084,289**	**2,534,524**	**3,344,775**

23 Unquoted ordinary shares

	GROUP 2013 Shs'000	GROUP 2012 Shs'000
At start of year	54,009	50,490
Additions	251	3,519
Reclassification of ordinary shares on listing	(50,490)	-
At end of year	**3,770**	**54,009**

24 Unit trusts

	GROUP		COMPANY	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
At start of year	6,064,687	4,378,902	175,709	512,458
Additions	586,322	905,681	-	-
Disposals	(188,914)	(375,002)	-	(355,000)
Fair value gains	1,603,927	1,155,106	14,039	18,251
At end of year	**8,066,022**	**6,064,687**	**189,748**	**175,709**

Unit-linked investment contracts are designated as contracts at fair value through profit. The benefits offered under these contracts are based on the return of a portfolio of equities and debt securities.

25 Corporate bonds

(i) At fair value through profit or loss

	GROUP		COMPANY	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
At start of year	28,253	-	28,253	-
Additions	-	28,253	-	28,253
Disposals	(28,253)	-	(28,253)	-
At end of year	**-**	**28,253**	**-**	**28,253**

(ii) Held at amortised cost

At start of year	508,358	283,329	-	-
Additions	114,253	302,424	-	-
Maturities	(30,691)	(77,395)	-	-
At end of year	**591,920**	**508,358**	**-**	**-**

26 Government securities

(i) At fair value through profit or loss

	GROUP 2013 Shs'000	2012 Shs'000
Treasury bills and bonds maturing		
- Within 1 year	35,164	105,893
- In 1 – 5 years	23,036	22,421
- After 5 years	506,893	48,248
Total	**565,093**	**176,562**
Treasury bills and bonds movement		
- At start of the year	176,562	216,334
- Reclassification of bonds on IFRS 9 adoption	238,297	-
- Additions	244,530	-
- Fair value gains	7,235	23,245
- Disposals and maturities	(101,531)	(63,017)
At end of year	**565,093**	**176,562**

(ii) Held at amortised cost

At start of year	6,685,780	4,374,453
Reclassification of bonds on IFRS 9 adoption	(238,297)	-
Additions	2,962,215	2,587,493
Maturities	(1,243,564)	(276,166)
At end of year	**8,166,134**	**6,685,780**

27 Mortgage loans

At start of year	837,095	703,970
Loans advanced	168,012	260,996
Loan repayments	(169,957)	(127,871)
Total	**835,150**	**837,095**
Less: Provision for impairment losses	(41,335)	(25,073)
At end of year	**793,815**	**812,022**
Lending commitments:		
Mortgage loans approved by investment committee but not advanced as at 31 December	68,060	68,140

Mortgage loans to related parties are disclosed in Note 33.

28 Loans to policyholders

	GROUP 2013 Shs'000	2012 Shs'000
At start of year	309,455	247,304
Loans advanced	306,912	221,471
Surrenders	(81,510)	(60,082)
Loan repayments	(158,079)	(99,238)
At end of year	**376,778**	**309,455**

29 Receivables arising out of direct insurance arrangements

Past due but not impaired	1,053,931	540,599
Impaired	6,768	6,768
Gross	1,060,699	547,367
Less: Provision for impairment	(6,768)	(6,768)
Net	**1,053,931**	**540,599**
Movements in the provision account :		
At 1 January	6,768	6,768
Increase	-	-
Write-offs	-	-
At 31 December	**6,768**	**6,768**

30 Reinsurers' share of insurance liabilities

- notified claims outstanding – long term	60,197	137,829
- notified claims outstanding – short term (Note 40)	1,966,711	2,038,498
- unearned premium (Note 43)	352,705	176,630
- claims incurred but not reported (Note 40)	30,804	43,305
At end of year	**2,410,417**	**2,396,262**

Amounts due from reinsures in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements on the statement of financial position.

31 Deferred acquisition costs

	GROUP 2013 Shs'000	2012 Shs'000
At start of year	131,274	97,049
Net increase	49,115	34,225
At end of year	**180,389**	**131,274**

Deferred acquisition costs represent a proportion of acquisition costs that relates to policies that are in force at year-end. The basis of deferral is explained in note 2(d)ii(c). Deferred acquisition costs are classified as current assets.

32 Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2012: 30%). The movement on the deferred income tax account and the composition of the unrecognised deferred income tax asset is as follows:

GROUP

	31.12.13 Shs'000	2013 Movement Shs'000	31.12.12 Shs'000	2012 Movement Shs'000	1.1.12 Shs'000
Property and equipment:					
- on historical cost basis (buildings only)	34,767	(8,952)	43,719	48,081	(4,362)
Provisions	8,908	21,255	(12,347)	(23,223)	10,876
Tax losses brought forward:					
- British-American Investment Company (Kenya) Limited	240,126	4,477	235,649	29,677	205,972
Less: Deferred tax asset not recognised:					
- British-American Insurance Company (Kenya) Limited	(14,713)	9,300	(24,013)	(24,410)	397
- British-American Investment Company (Kenya) Limited	(263,833)	(25,023)	(238,810)	(29,909)	(208,901)
Net deferred tax asset	**5,255**	**1,057**	**4,198**	**216**	**3,982**

The deferred tax on tax losses of one of the Company's subsidiaries, British-American Asset Managers Limited, has been recognised on the basis of management's projections which indicate that the Company will be able to make sufficient taxable income to off-set these losses within the maximum permitted carry-forward period of four years. The movement on the deferred income tax account and the composition of the unrecognised deferred income tax asset for the company is as follows:

COMPANY

	31.12.13 Shs'000	2013 Movement Shs'000	31.12.12 Shs'000	2012 Movement Shs'000	1.1.12 Shs'000
Property and equipment:					
- on historical cost basis	2,458	3,146	(688)	(345)	(343)
Provisions	21,249	17,400	3,849	577	3,272
Tax losses carried forward	240,126	4,477	235,649	29,677	205,972
Deferred tax asset not recognised	(263,833)	(25,023)	(238,810)	(29,909)	(208,901)
Net deferred tax asset	**-**	**-**	**-**	**-**	**-**

The deferred tax asset for the Company has not been recognised as the Company is unlikely to make sufficient taxable profits to off-set the tax losses within the four year period permitted by the Kenyan Income Tax Act. Deferred tax assets/liabilities are classified as non current assets/liabilities.

33 Related party transactions

There are several companies related to the Group through common shareholdings or being controlled or significantly influenced by a director or key management personnel of the Company.

(i) Outstanding balances with related parties

Dues from related parties – Group	**2013 Shs'000**	**2012 Shs'000**
Secured loan	-	5,075
Total	**-**	**5,075**

Dues to related party – Company		
Britam Insurance Company Limited(South Sudan)	-	22,888
British-American Insurance Company (Kenya) Limited	798,343	619,923
British-American Asset Managers Limited	-	6,211
Total	**798,343**	**649,022**

Dues from related party – Company		
British-American Asset Managers Company Limited	4,622	-
Britam Insurance Company (Uganda) Limited	7,493	-
Britam Insurance Company Limited (South Sudan)	2,080	-
Britam Insurance Company (Rwanda) Limited	1,173	-
Bramer properties Company Limited	657,513	11,702
Total	**672,881**	**11,702**

The inter-company balances attract interest at 11% (2012: 11%) and this amounted to Shs 76.6 million (2012: Shs 57.5 million).

The value of Equity Bank Limited shares held by the Group at the end of the year amounted to Shs 11,490,144,000 (2012: Shs 9,356,000,000).The Group has also invested Shs 8,066,022,000 (2012: Shs 6,064,687,000) in the various British-American unit trust funds.

(ii) Mortgage loans to directors of the Group

	2013 Shs'000	**2012 Shs'000**
At start of year	202,619	190,213
Loans advanced during the period	21,350	29,606
Interest charge for the year	30,289	28,411
Loan repayments	(87,630)	(45,611)
At end of year	**166,628**	**202,619**

The loans to directors, which are secured, were given on commercial terms and at market rates.

(iii) Transactions with related parties

	2013 Shs'000	2012 Shs'000
Gross earned premium		
- Equity Bank Limited	2,146,024	1,807,787
- British-American Asset Managers Limited	2,009	1,397
- Housing Finance	26,371	24,194
Net claims incurred - Equity Bank Limited	966,310	890,648
Interest on related party balance	84,860	47,324
Fair value gains on Equity Bank Limited shares	1,826,619	2,421,490
Acquisition of additional shares in Housing Finance	-	20,000
25% share of Acorn Group profit after tax	8,080	-
21.46% share of Housing Finance	173,605	146,845

The Group holds a 10.1% (2012: 10.64%) stake in Equity Bank Limited and 21.46% (2012: 21.46%) in Housing Finance.

(iv) Directors' and Senior Managers' remuneration – Group

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	2013 Shs'000	2012 Shs'000
Directors' fees	18,549	12,226
Directors' other remuneration	78,652	43,102
Senior Managers' remuneration	180,579	171,365
Total	**277,780**	**226,693**

34 Other receivables

	GROUP		COMPANY	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Staff and agents loans	67,270	113,872	-	-
Dues from managed funds	137,844	69,192	-	-
Prepayments	19,939	19,343	-	4,625
Other receivables	401,148	178,723	-	71,060
Total	**626,201**	**381,130**	**-**	**75,685**

All prepayments are classified as current. The ageing analysis of other receivables is presented in note 4(b).

35 Cash and cash equivalents

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and bank balances	617,196	415,814	34,863	6,101
Deposits with financial institutions	2,591,418	1,975,913	1,131,647	1,395,236
Bank overdraft	(116,691)	(46,810)	-	-
Total cash and cash equivalents	**3,091,923**	**2,344,917**	**1,166,510**	**1,401,337**

Among the total cash and cash equivalents for the Group, an amount equivalent to Shs 38,839,000 (2012: Nil) is restricted cash in Britam Insurance Company Limited (South Sudan). Under section 9(i) of the Bank of South Sudan Act, the Company is required to maintain a security deposit with the Bank of South Sudan of at least 10% of the prescribed minimum paid up capital. The Bank of South Sudan retained 10% from the first instalment paid.

The weighted average effective interest rate on short-term bank deposits was 11.67% (2012: 18.52%). The effective interest rate on overdraft was 10.40% (2012: 10.12%) which was the applicable 91 day Treasury bill rate plus a margin of 2%.

36 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	GROUP	
	2013	2012
	Shs'000	Shs'000
Profit before tax	3,196,161	2,849,406
Adjustments for:		
Depreciation of leasehold improvements and equipment (Note 17)	122,082	77,185
Amortisation of intangible assets (Note 18)	24,695	22,551
Investment income	(2,759,463)	(1,971,016)
Net realised gains on financial assets	(232,727)	(45,554)
Net fair value gains on financial assets at fair value through profit or loss	(3,355,540)	(3,032,092)
Share of profit of the associates	(181,685)	(146,845)
Changes in:		
- Receivables arising out of direct insurance arrangements	(513,332)	(252,843)
- Receivables arising out of reinsurance arrangements	(32,316)	(48,912)
- Re-insurers' share of insurance liabilities	(14,155)	(1,811,710)
- Unearned premium	597,257	309,417
- Retirement benefit asset	(14,080)	(35,996)
- Other payables	322,631	89,671
- Receivables from related parties	5,075	4,030
- Deferred acquisition costs	(49,115)	(34,225)
- Other receivables	(245,071)	(68,332)
- Insurance contract liabilities	1,669,958	3,096,790
- Liabilities under investment contract	1,568,843	1,672,336
- Payable under deposit administration contracts	2,322,003	1,748,010
- Creditors arising out of reinsurance arrangements	(76,153)	64,105
Cash generated from operations	**2,355,068**	**2,485,976**

37 Insurance contract liabilities

	GROUP	
	2013	**2012**
	Shs'000	**Shs'000**
Long term insurance contracts		
- claims reported and claims handling expenses	374,535	514,898
- actuarial value of long term liabilities (Note 41)	8,984,251	7,179,810
Total – long term	**9,358,786**	**7,694,708**
Short term non-life insurance contracts		
- claims reported and claims handling expenses	2,522,760	2,560,940
- claims incurred but not reported (Note 40)	255,623	211,563
Total – short term (Notes 40)	**2,778,383**	**2,772,503**
Total gross insurance liabilities	**12,137,169**	**10,467,211**

Movements in insurance liabilities and reinsurance assets are shown in Note 40.

38 Short term non-life insurance contracts liabilities

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Accident year	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Estimate of ultimate claims costs:						
– at end of accident year	529,610	767,537	678,433	2,608,391	1,784,521	**6,368,492**
– one year later	531,543	786,745	644,076	2,610,050	-	**4,572,414**
– two years later	531,688	783,610	638,666	-	-	**1,953,964**
– three years later	529,399	775,779	-	-	-	**1,305,178**
– four years later	530,514	-	-	-	-	**530,514**
Current estimate of cumulative claims	530,514	775,779	638,666	2,610,050	1,784,521	**6,339,530**
Add: Incurred but not Reported	-	-	-	-	255,623	**255,623**
Add: Liability in respect of prior years	86,233	-	-	-	-	**86,223**
Less: Cumulative payments to date	(470,348)	(675,217)	(557,483)	(813,646)	(1,386,309)	**(3,903,003)**
Liability included in the statement of financial position	**146,399**	**100,563**	**81,184**	**1,796,403**	**653,835**	**2,778,384**

39 Long term insurance contract liabilities

The Group determines its long term insurance contracts based on the prescribed valuation basis in the Insurance Act. This basis contains prudent margins for adverse experience in mortality, expenses, withdrawals and investment return. The liabilities are calculated in-house by the Actuarial department and reviewed for adequacy by the Appointed Actuary (QED Actuaries & Consultants (Pty) Ltd). As at 31 December 2013, the valuation showed a surplus of Shs 6.639 billion (2012: Shs 4.953 billion).

Valuation assumptions

The key assumptions are summarized below:

(a) Mortality

The prescribed mortality assumptions are; the AKI KE 01/03 for conventional life business and a (55) for the annuity business. The same assumptions were used in 2012.

(b) Interest rate

The Insurance Act prescribes a 4% interest rate as the investment return assumption and for discounting the cash flows (benefits less premium and investment income). The same assumption was used in 2012.

(c) Persistency, expenses, expense inflation and tax

The prescribed basis does not explicitly allow for the persistency, expense, expense inflation and tax. Expense assumption is implicitly allowed through the difference between the gross premium and net valuation premium. Persistency is explicitly not allowed for.

40 Movements in insurance liabilities and reinsurance assets

	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Short term insurance business	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Notified claims	2,560,940	2,038,498	522,442	794,050	344,287	449,763
Incurred but not reported	211,563	43,305	168,258	202,162	61,537	140,625
Total at beginning of year	**2,772,503**	**2,081,803**	**690,700**	**996,212**	**405,824**	**590,388**
Cash paid for claims settled in year	(1,923,361)	(277,293)	(1,646,068)	(1,181,470)	(65,929)	(1,115,541)
Increase in liabilities:						
- arising from current year claims	1,843,565	169,844	1,673,721	2,903,231	1,725,073	1,178,158
- arising from prior year claims	85,676	23,161	62,515	54,530	16,835	37,695
Total at end of year	**2,778,383**	**1,997,515**	**780,868**	**2,772,503**	**2,081,803**	**690,700**
Notified claims	2,522,760	1,966,711	556,049	2,560,940	2,038,498	522,442
Incurred but not reported	255,623	30,804	224,819	211,563	43,305	168,258
Total at the end of year	**2,778,383**	**1,997,515**	**780,868**	**2,772,503**	**2,081,803**	**690,700**

41 Actuarial value of long term liabilities

	2013			2012		
	Ordinary life	Group life	Total	Ordinary life	Group life	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	6,235,062	944,748	7,179,810	5,233,509	756,552	5,990,061
Policyholder bonuses and interest	-	(56,629)	(56,629)	(459,893)	-	(459,893)
Surrenders and annuity payments	(1,076,227)	(303,297)	(1,379,524)	(78,330)	-	(78,330)
Increase in the period (net)	2,128,283	(142,834)	1,985,449	1,539,776	188,196	1,727,972
New business	581,113	674,032	1,255,145	-	-	-
At end of year	**7,868,231**	**1,116,020**	**8,984,251**	**6,235,062**	**944,748**	**7,179,810**

42 Amounts payable under deposit administration contracts

Deposit administration contracts are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 16% for the year (2012: 16%).

	GROUP	
	2013	2012
	Shs'000	Shs'000
At start of year	5,787,072	4,039,062
Pension fund deposits received	1,850,172	1,412,167
Surrender and annuities paid	(557,379)	(463,546)
Interest payable to policyholders	1,029,210	799,389
At end of year	**8,109,075**	**5,787,072**

43 Liabilities under investment contracts

At start of the year	4,845,526	3,173,191
Net investments	1,165,458	1,281,424
Liabilities released for payments:		
Surrenders	(771,991)	(418,526)
Fair value gain on investments	1,175,377	809,438
At end of year	**6,414,370**	**4,845,527**

For the unit linked investment contracts, the benefits offered are based on the return of equities and debt securities. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

44 Unearned premium

Unearned premium represents the liability for short term business contracts where the Group's obligations are not expired at the year end. Movement in the reserve is shown below:

	2013			2012		
	Insurer's share	Reinsurers' share	Gross	Insurer's share	Reinsurers' share	Gross
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	1,115,565	176,630	1,292,195	867,833	114,945	982,778
Increase in the period (net)	421,182	176,075	597,257	247,732	61,685	309,417
At end of year	**1,536,747**	**352,705**	**1,889,452**	**1,115,565**	**176,630**	**1,292,195**

45 Commitments - Group

Capital and operating lease commitments as at the financial reporting date amounted to Shs 45,550,000 (2012: Shs 24,747,000) and Shs 48,048,000 (2012: Shs 38,687,617) respectively. The company had no commitments at the reporting date. All the commitments are due within the year.

46 Retirement benefit liability

The amounts recognised in the statement of financial position are determined as follows:

	2013 Shs'000	2012 Shs'000
Present value of funded obligations	343,855	287,695
Fair value of plan assets	(344,041)	(261,306)
Present value of (over-funding) /unfunded obligations	(186)	26,389
Unrecognised actuarial losses	-	(12,309)
Asset/(Liability) in the statement of financial position	**(186)**	**14,080**

The company adopted the revised standard IAS19R: Retirement Benefit Obligation which now prohibits the use of the corridor approach. The change in the re-measurement of the retirement obligation is now recognised in other comprehensive income.

The movement in the defined benefit obligation over the year was as follows:	2013 Shs'000	2012 Shs'000
At start of year	287,695	215,229
Current service cost	8,889	11,680
Interest cost	33,974	25,522
	42,863	**37,202**
Re-measurements:		
Impact of change in demographic assumptions	-	-
Impact of change in financial assumptions	3,695	35,548
Experience adjustments	28,047	4,810
Benefits paid	(18,445)	(5,094)
At end of year	**343,855**	**287,695**

The movement in the fair value of the plan assets is as follows:

At start of year	261,306	177,400
Interest income	34,175	24,256
Re-measurements:		
Return on plan assets	10,926	10,187
Employer contributions	54,316	49,793
Employee contributions	6,287	8,120
Expenses paid	(4,524)	(3,356)
Benefits paid	(18,445)	(5,094)
	37,634	49,463
At end of year	**344,041**	**261,306**

The trustees have invested the scheme assets in a guaranteed fund.

Expected contributions to the plan for the year ending 31 December 2013 are Shs 63,839,000 (2012: Shs 26,182,000).

The amounts recognised in the income statement for the year are as follows:

	2013 Shs'000	2012 Shs'000
Current service cost	8,889	11,680
Interest (income)/expenses	(201)	1,266
Past service costs	-	-
Contributions received from members	(6,287)	(8,120)
Expenses paid	4,524	3,356
Total included in employee benefit expense	**6,925**	**8,182**

The amounts recognised in other comprehensive income statement for the year are as follows:

The re-measurement included in the Other Comprehensive Income of the Retirement liability/asset amounted to Shs 14,266,000 (2012: Nil) being the movement from a liability position of Shs 14,080,000 in 2012 to an asset position in 2013 of Shs 186,000.

The principal actuarial assumptions used were as follows:

	2013 %	2012 %
- discount rate	12.20	12
- future salary increases	10.00	7.50
- future pension increases	0.00	0.00

The sensitivity of the present value of funded obligations to changes in the principal assumptions is:

- discount rate-100 basis points (+or-1.00% per annum)	-7.79	9.01
- future salary increases-100 basis points (+or-1.00% per annum)	1.26	-1.21
- future pension increases-100 basis points (+or-1.00% per annum)	3.49	0.00

47 Weighted average effective interest rates

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

	GROUP	
	2013 %	2012 %
Mortgage loans	11.39	11.86
Policy loans	14.50	14.50
Government securities	11.29	11.77
Deposits with financial institutions	7.1	18.52
Corporate bond	12.23	10.46

Deposits with financial institutions have an average maturity of 3 months (2012: 3 months)

48 Other payables

	GROUP		COMPANY	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Accrued expenses	566,103	297,082	123,359	20,845
Premiums paid in advance	135,789	169,051	-	-
Other liabilities	257,021	170,149	20,594	211
Total	**958,913**	**636,282**	**143,953**	**21,056**

49 Proposed acquisition of Real Insurance

On 9 December 2013, British-American Investments Company entered into a definitive Share Purchase Agreement ("Agreement" or "SPA") with the Royal Ngao Holdings Limited, a limited liability company incorporated in Kenya, 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.

On 19 February 2014, in an extraordinary general meeting (the "EGM"), the Company's shareholders approved the proposed transaction. The Completion of this transaction is conditional to customary closing conditions that include procurement of 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 Shs 1,375,550,500, representing a price of Shs 92.63 per share for each of the 14,850,000 shares being acquired.

The purchase consideration is to be settled in cash (60% or Shs 825,330,300) and through issue of new shares in the Company (40% or Shs 550,220,200) at a target allotment price of Shs11.13 per new share.

The acquisition will be accounted for as an investment in a subsidiary which will be consolidated into the 2014 financial statements with effect from the date control is acquired.

There were no other post balance-sheet events.

50 Contingent liabilities

The directors are of the opinion that there exists no matter with a material effect on the financial position of the profits or the company and the group to warrant any contingent liability.

Notes

Britam

British-American Investments Company (Kenya) Limited
ANNUAL GENERAL MEETING

PROXY FORM

I/We ____

CDS A/C No ____

of (address) ____

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 Annual General Meeting of the Company to be held on Friday, 20th June 2014 at 10.00 a.m., or at any adjournment thereof.

As witness to my/our hands this ____________________ day of ____________________________ 2014

Signature(s) ____

Notes:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company
2. In the case of a member being a limited Company this form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. The Proxy Form must be delivered to the office of the Company Secretary at the Company's head office situated at Britam Cetnre, Mara/Ragati Road, Upper Hill, Nairobi, P.O Box 303755-00100, Nairobi or the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later hatn 10.00am on Wednesday 18th June 2014 failing which it will be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in pdf format.