BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS 2012

Britam

With you every step of the way

I am

VISION

To be your most trusted financial services partner

MISSION

To provide outstanding financial services to our customers

BRAND PROMISE

YOUR JOURNEY is our journey

VALUES

Respect
Integrity
Continuous improvement and innovation
Passion

PERSONALITY

Visionary
Approachable

OPERATING PRINCIPLES

Market leadership
Professionalism
Synergy
Operational excellence

Britam

THE BRITAM BRAND STORY

Our Journey continues in a new day and new light. We still have a collective vision and mission that is reflective of our renewed focus and ambitions. We strive to enhance your financial security, well being and success, with our outstanding financial services.

Our ambition is driven by that of our clients and sharing their passion for life; helping them to navigate the journey of life by continuously improving and providing innovative solutions and investments underpinned by our synergy, strength and focus, professionalism, integrity and respect.

For we believe the journey of life should never be travelled alone. YOUR JOURNEY is our journey...we are with you every step of the way.

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Corporate Information

REGISTERED OFFICE

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED
Britam Centre
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

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

Local subsidiaries share physical and postal addresses with the Company.

REGIONAL SUBSIDIARIES

BRITAM INSURANCE COMPANY (UGANDA) LIMITED
Course View Towers,1st Floor
Plot 21 Yusuf Lule Road
Kampala
Uganda
CEO / Principal Officer: Mr. David Kuria
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

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 Centre
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

BRITISH-AMERICAN (UK) LIMITED
138 Piccadilly
London WIJ 7NR
ENGLAND
President: Mr. J. Nicholas Ashford-Hodges
Tel: (44) 207 629 79 60
Fax: (44) 207 629 79 66
E-mail: info@bahGroup.com

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

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

SHARE REGISTRAR
Image Registrars Limited
Transnational Plaza
Mama Ngina Street
P.O Box 9287-00100, Nairobi
Tel: (254) 020 2230330
Email: info@image.co.ke

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

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

Notice

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 17th ANNUAL GENERAL MEETING of the Company will be held at Moi International Sports Centre, Kasarani Gymnasium, Nairobi on Friday, 24th May 2013 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 2012, 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 2012 of Shs. 0.25 per ordinary share of Shs 0.10 each, subject to withholding tax where applicable, in respect of the financial year ended 31st December 2012 to shareholders on the register of members at the close of business as at 10th May 2013;
5. To elect Directors:
   - i) Dr. James N. Mwangi 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. Nduva Muli 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; and
   - iii) Mr. Saleem R. Beebeejaun retires in accordance with Articles 92 and 93 of the Company's Articles of Association and does not offer himself for re-election as a director.
6. To approve the remuneration of the Directors' for the year ended 31st December 2012;
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;

Special Business

8. To consider and if approved, pass the following Special Resolution to amend the Company's Articles of Association:

That the Articles of Association of the Company be amended as follows:

Article 142

"The Company may, if required by law, deliver or pay to any prescribed regulatory authority or person any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible and liable to the owner or holder or his or her estate or successors of assign, for the relevant unclaimed assets." ; and

9. 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
30 April 2013

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, Transnational Plaza, 8th Floor, Mama Ngina 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, Transnational Plaza, 8th Floor, Mama Ngina Street, Nairobi, not later than 10.00 a.m. Wednesday 22nd May 2013, 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 Moi International Sports Centre, Kasarani Gymnasium from 7.30 a.m. to 9.00 a.m. on 24th May 2013.

Ilani

ILANI YA MKUTANO MKUU WA KILA MWAKA

ILANI INATOLEWA HAPA KWAMBA MKUTANO MKUU WA KILA MWAKA WA 17 wa Kampuni utaandaliwa katika ukumbi wa Moi International Sports Centre, Kasarani, Nairobi Ijumaa, Mei 24, 2013 saa nne asubuhi kuendesha shughuli zifuatazo:
Kuwasilisha majina ya wawakilishi na kutambua kuwepo kwa idadi ya kutosha ya wanachama;

1. Kusoma Ilani ya kuandaa mkutano;
2. Kupokea, kukagua na iwapo itaidhinishwa, kupitisha taarifa za kifedha zilizounganishwa na kuchunguzwa na wahasibu kwa mwaka uliomalizika Desemba 31, 2012, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wahasibu zilizoambatanishwa;
3. Kuidhinisha malipo ya mgao wa faida wa mwisho kwa mwaka uliomalizika Desemba 31, 2012 wa Ksh. 0.25 kwa kila hisa ya kawaida ya Sh 0.10, ikitegemea ushuru wa kushikilia inapohitajika, kuhusiana na kipindi cha matumizi ya fedha kilichomalizika Desemba 31, 2012 kwa wenyehisa walio kwenye sajili ya wanachama kufikia mwisho wa shughuli za siku Mei 10, 2013;
4. Kuchagua Wakurugenzi:
   i) Dkt. James N. Mwangi anastaafu kwa mzunguko kwa mujibu wa Vifungu 92 na 93 vya Katiba ya Kampuni na kwa kuwa anahitimu, anajitokeza kuchaguliwa tena kama mkurugenzi;
   ii) Bw. Nduva Muli anastaafu kwa mzunguko kwa mujibu wa Vifungu 92 na 93 vya Katiba ya Kampuni na kwa kuwa anahitimu, anajitokeza kuchaguliwa tena kama mkurugenzi; na
   iii) Bw. Saleem R. Beebeejaun anastaafu kwa mujibu wa Vifungu 92 na 93 vya Katiba ya Kampuni na hawanii tena wadhifa wa mkurugenzi.

5. Kuidhinisha malipo ya Wakurugenzi kwa mwaka uliomalizika Desemba 31, 2012;
6. Kutambua kwamba, wahasibu Messrs PricewaterhouseCoopers, kwa kuwa wamehitimu na wameelezea nia yao ya kuendelea kuhudumu kwa mujibu wa Sehemu ya 159 ya Sheria ya Kampuni (Cap 486) na kuidhinisha wakurugenzi kuamua malipo yao;

Shughuli maalumu

7. Kuchunguza na iwapo itaidhinishwa, kupitisha Azimio Maalumu lifuatalo kubadilisha Katiba ya Kampuni:

Kwamba Katiba ya Kampuni ifanyiwe marekebisho kama ifuatavyo:

Kifungu 142

"Kampuni, inaweza, ikiwa itahitajika kisheria, kupeleka au kulipa mamlaka au taasisi au mtu anayependekezwa kisheria, raslimali zozote ambazo hazijadaiwa zikiwemo, lakini sio tu hisa katika Kampuni ambazo zinaaminika kusahaulika au kupuuzwa kisheria na mgao wowote wa faida au riba yoyote itokanayo na malipo ambayo hayakudaiwa katika muda uliohitajika kisheria. Baada ya malipo kama hayo kutolewa, raslimali hizo zitakoma kuwa miliki ya Kampuni na haitaendelea kuwajibika au kuwa na deni kwa mwenyewe au mmiliki wa mali au hiyo au warithi, kuhusiana na raslimali ambazo hazikudaiwa." Na

8. Kuangazia shughuli zozote zile ambazo ilani ifaayo imetolewa.

Kwa amri ya Bodi

Nancy K. Kiruki
Katibu wa Kampuni
S.L.P 30375 – 00100
NAIROBI
Aprili 30, 2013

MAELEZO:

1. Mwanachama anayestahili kuhudhuria na kupiga kura katika mkutano huo lakini hana nafasi ya kuhudhuria, ana haki ya kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi si lazima awe mwanachama wa Kampuni.

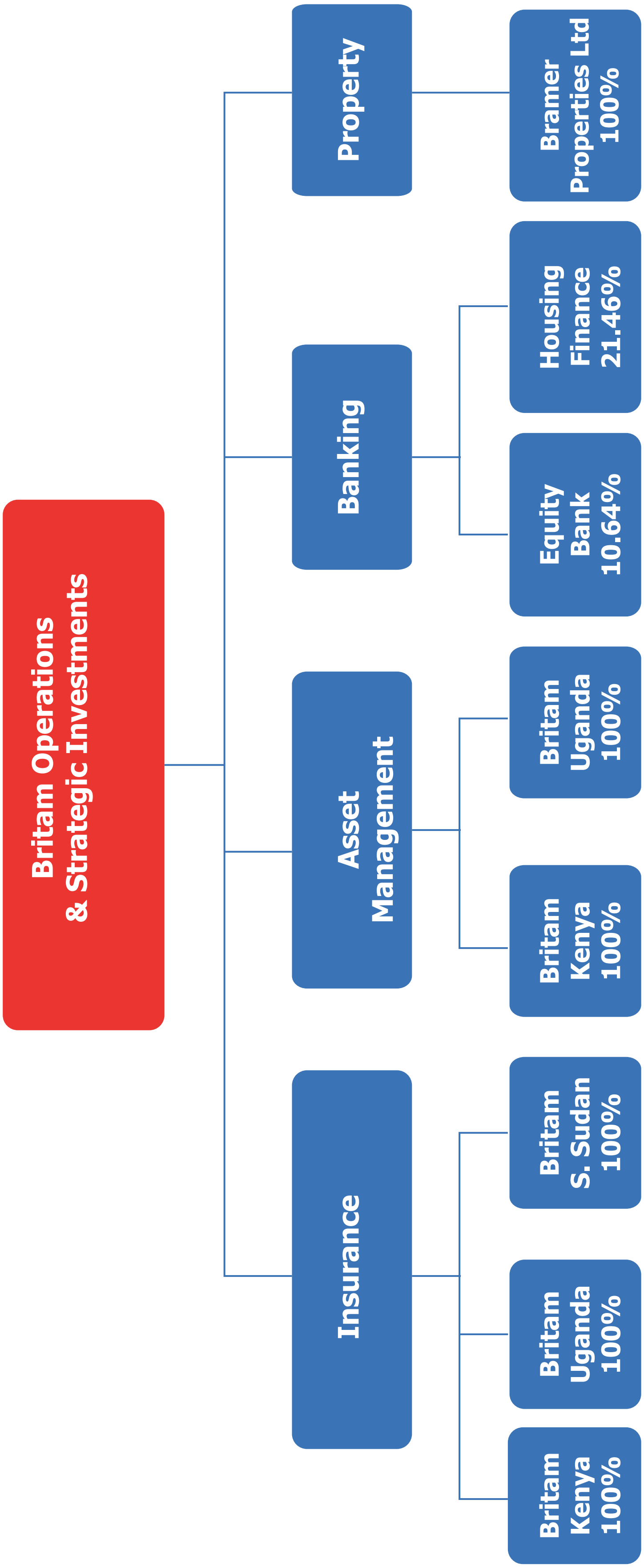
   Fomu ya Uwakilishi inapatikana kwenye mtandao wa Kampuni www.britam.co.ke, afisi rasmi za Kampuni, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi, au afisi za msajili wa hisa za Kampuni Image Registrars Limited, Transnational Plaza, ghorofa ya 8, Mama Ngina Street, Nairobi.

   Ili kuwa halali, fomu ya uwakilishi inapasa kujazwa kikamilifu na mwanachama na kuwasilishwa kwa Katibu wa Kampuni katika afisi kuu za Kampuni zilizoko katika Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi au Shares Registrar, Image Registrars Limited, Transnational Plaza, ghorofa ya 8, Mama Ngina Street, Nairobi, kabla ya saa nne, Jumatano Mei 22, 2013, la sivyo fomu hiyo haitakubaliwa. Vile vile, fomu za uwakilishi zilizojazwa zinaweza kutolewa nakala na kutumwa kwa baruapepe info@image.co.ke katika pdf. Na mahali ambapo ni shirika linahusika, fomu hiyo ni lazima iwe na nembo ya kampuni;

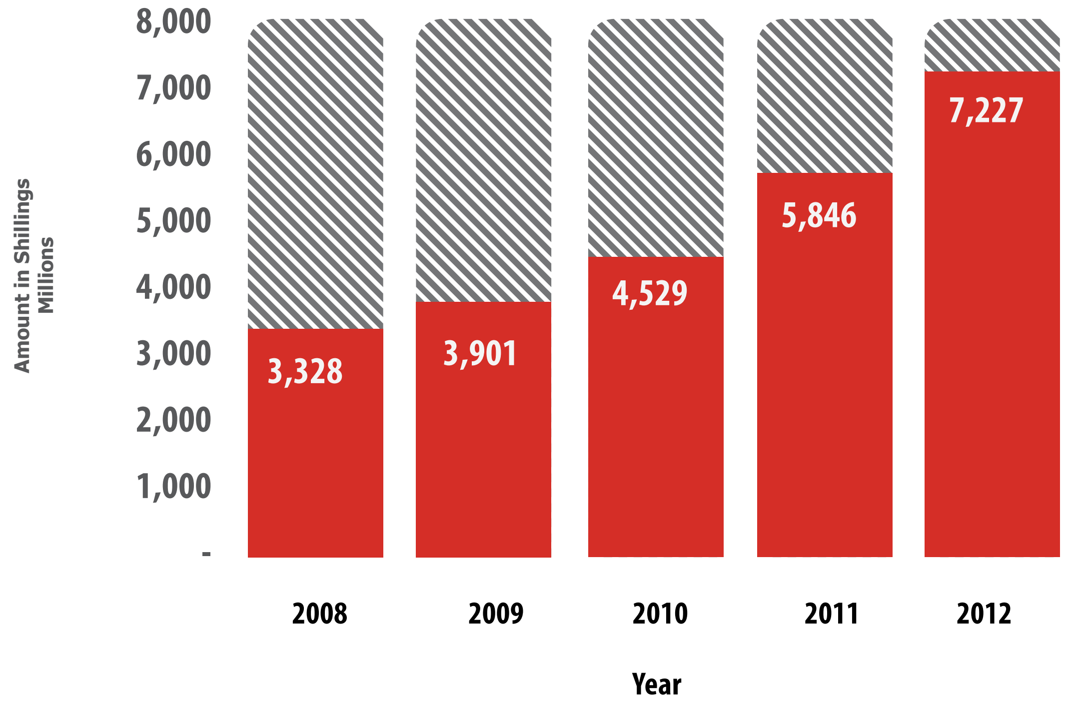
2. Kwa mujibu wa Kifungu 151 cha Katiba ya Kampuni, nakala ya Ripoti na Hesabu za Kila Mwaka inaweza kupatikana katika tovuti ya Kampuni www.britam.co.ke au nakala iliyochapishwa inaweza kupatikana katika afisi za Kampuni, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi; na

3. Usafiri utatolewa kwa wenyehisa kutoka kituo cha mabas cha Kencom hadi uwanja wa michezo wa Moi International Sports Centre, Kasarani kuanzia saa 1.30 hadi saa 3.00 asubuhi Mei 24, 2013.

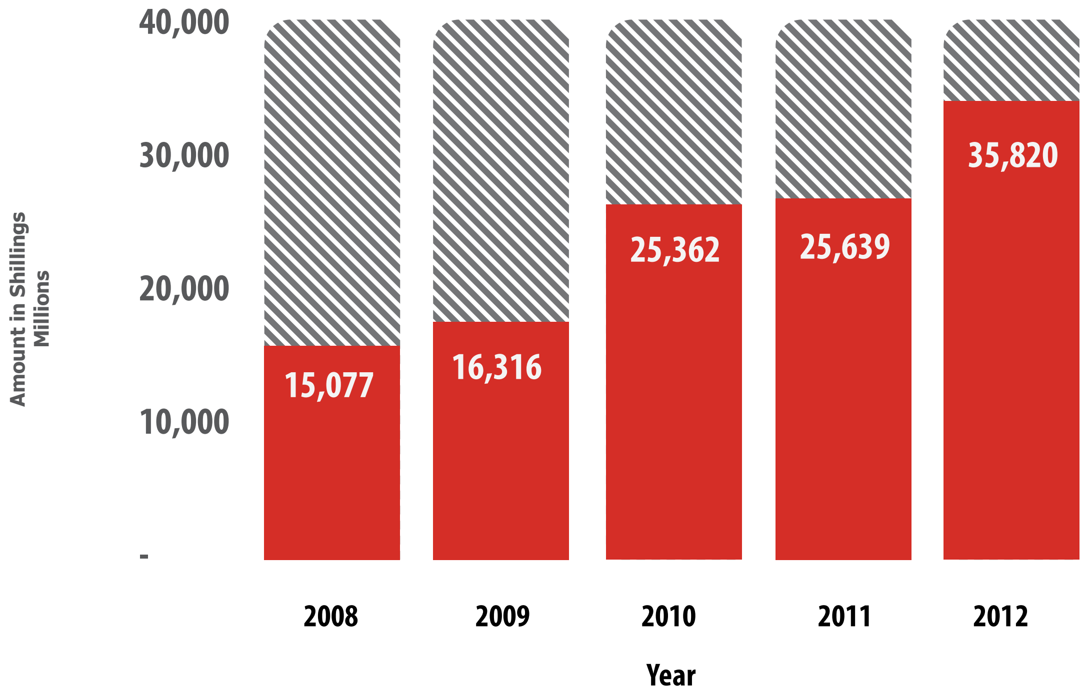
Group Structure



Gross Earned Premium & Fund Management Fees - Group

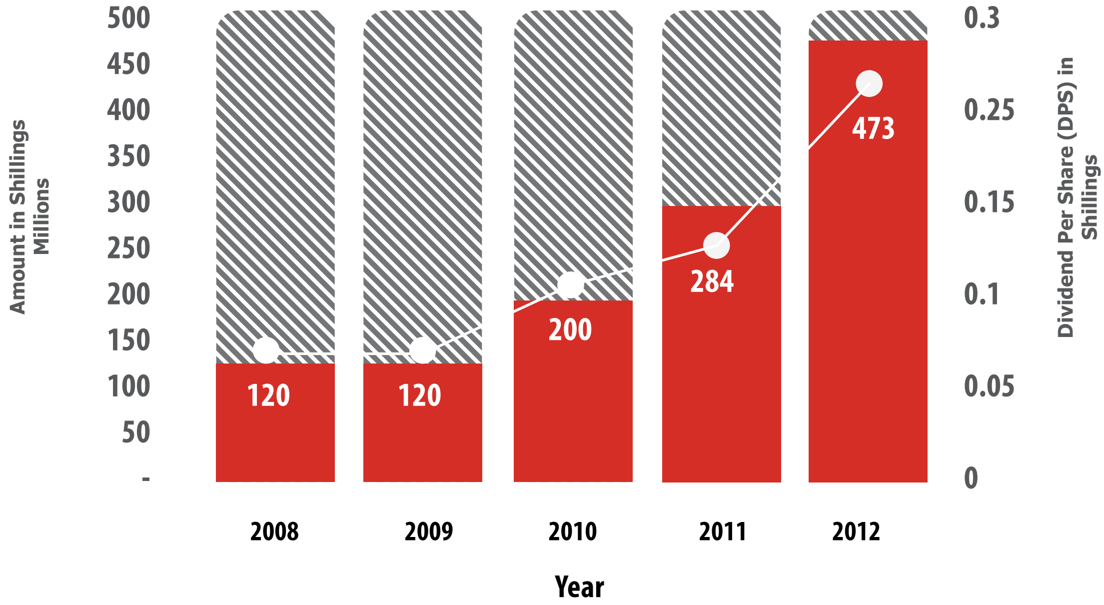


Total Assets

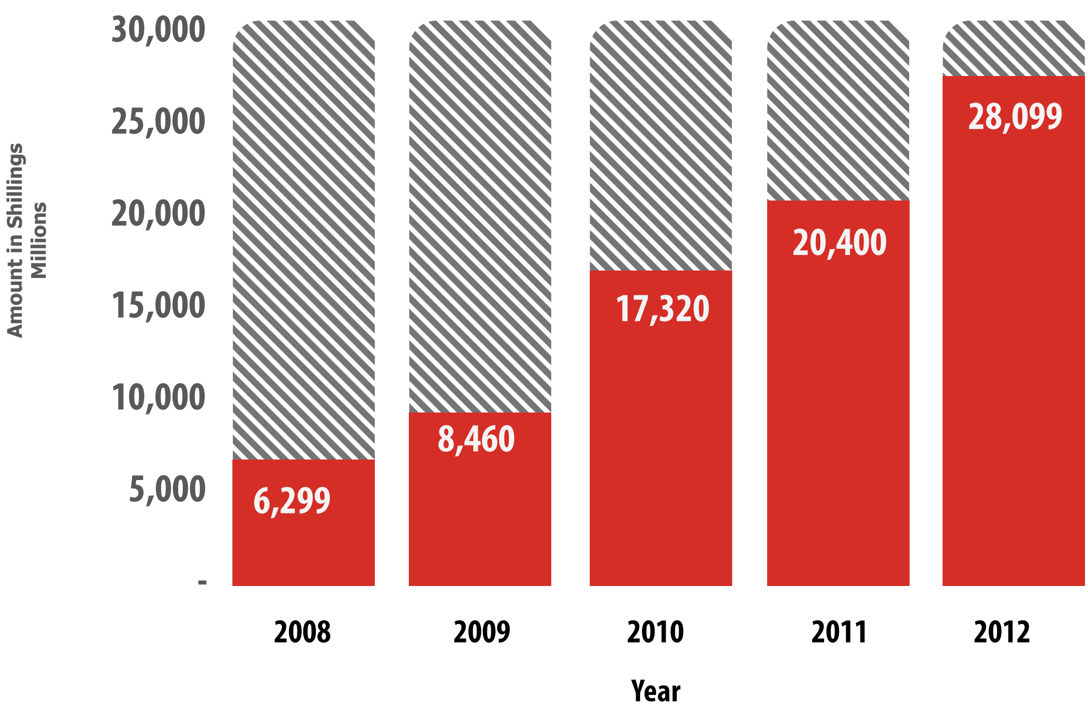


Financial Highlights

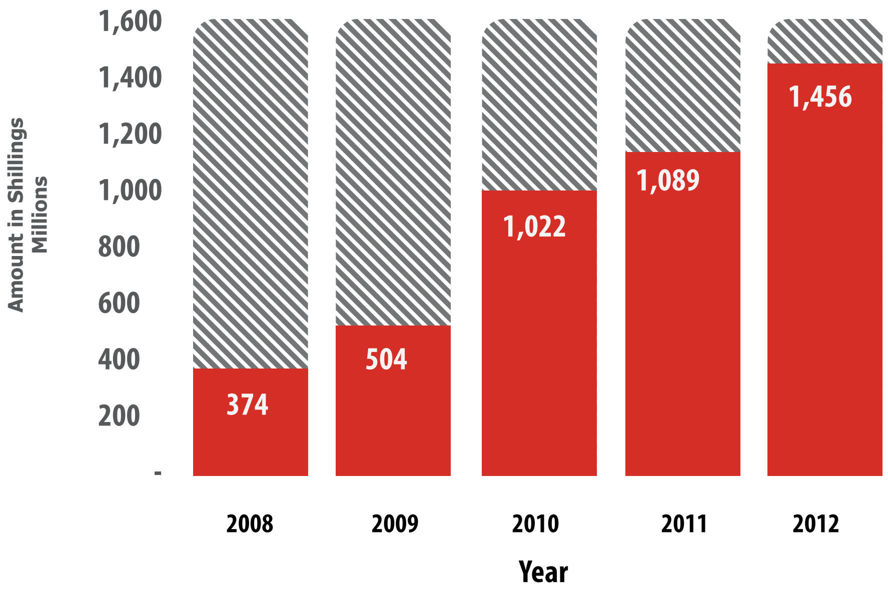
Dividend



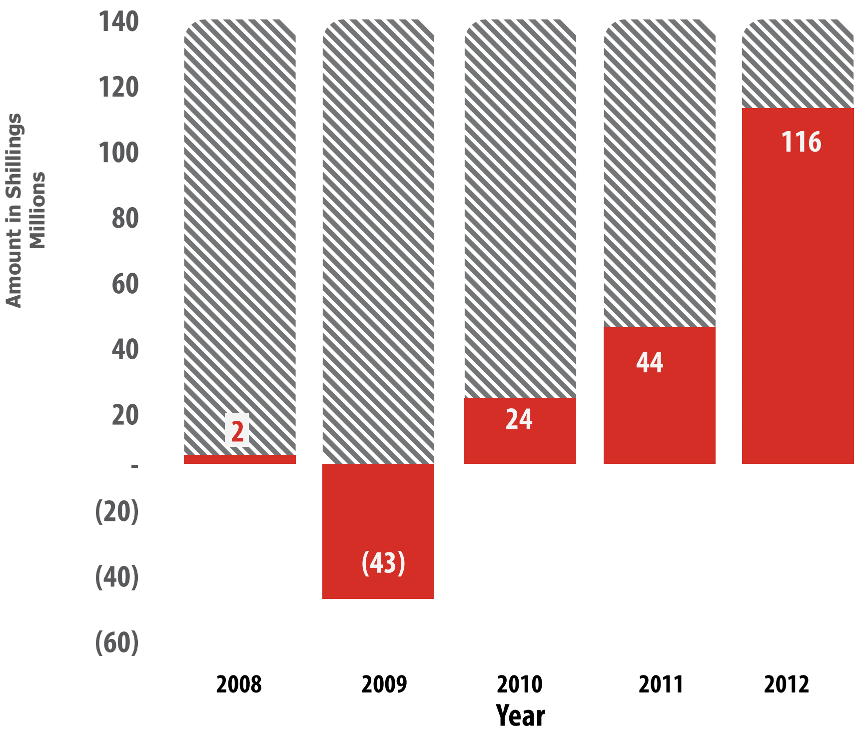
Assets Under Management - Managed Funds

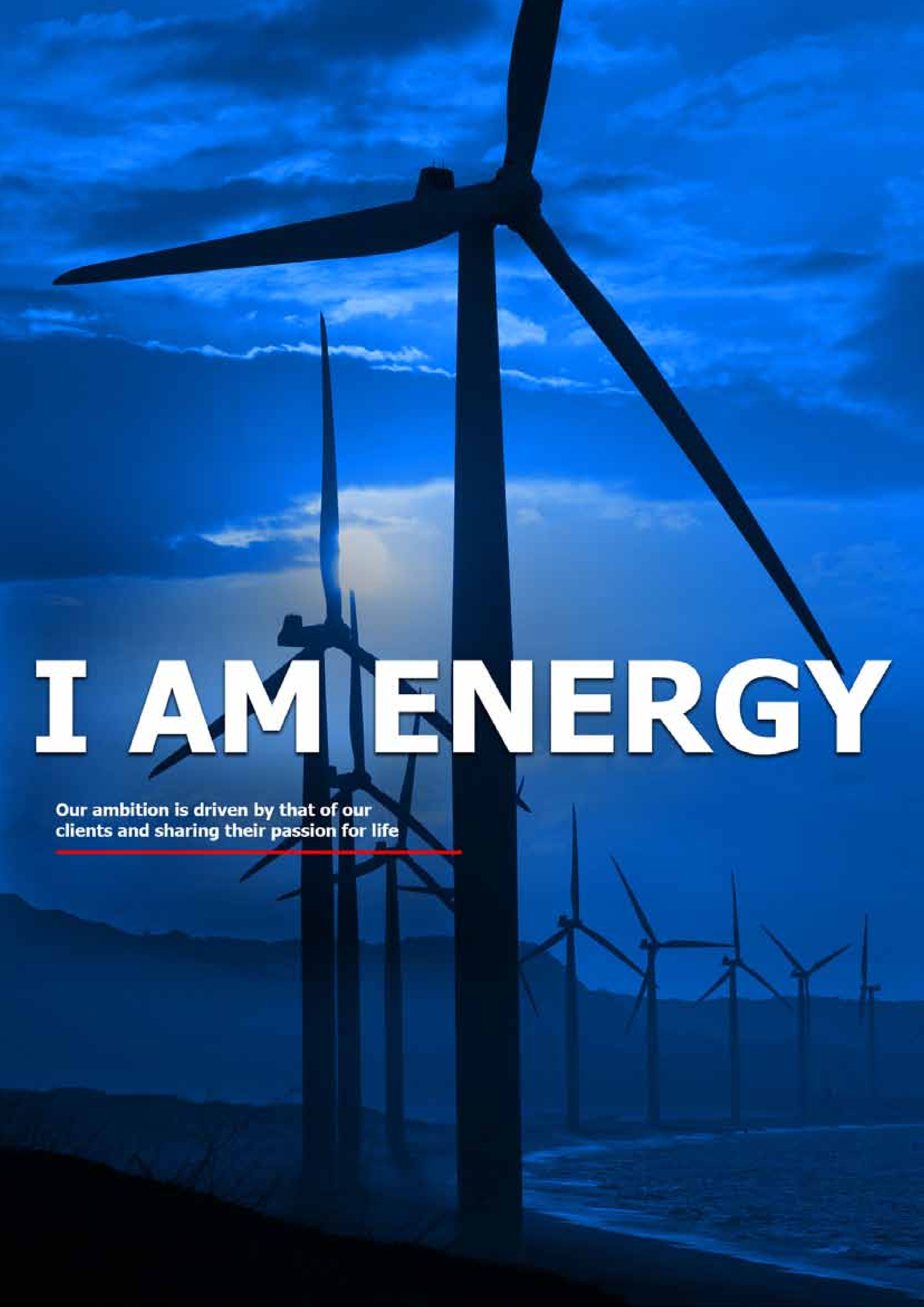


Profitability - Insurance



Profitability - Asset Management




I AM ENERGY
Our ambition is driven by that of our clients and sharing their passion for life

J. Nicholas Ashford-Hodges - Chairman

Chairman's Statement

On behalf of the Board of Directors of British-American Investments Company (Kenya) Limited and its subsidiaries, I have pleasure in presenting to you the Annual Report and Financial Statements for the year ended 31st December 2012.

Despite operating in a tough macroeconomic environment, the company delivered outstanding performance with strong growth in revenues and profitability. The Group is consistently and successfully implementing its growth strategies expounded to the shareholders and prospective investors in the Initial Public Offering. Our subsequent strategy execution across all of our business units has resulted in a positive rebound from the difficult year in 2011 to report Shs 2.8 billion in profit before tax for the year 2012.

In September 2012, the Company unveiled its new brand identity **'Britam'.** This identity has been adopted in all the markets in which the Group operates. For many years, we had been known as Britak in the Kenya market and were identified mainly with insurance business despite diversification into other businesses in the financial services business sector. The launch of the Britam brand has helped us harmonise all our businesses into the 'one company, one brand' philosophy, with a common vision aimed at helping the businesses communicate in one language and be identified under a monolithic brand.

OPERATING ENVIRONMENT

The Global Macroeconomic Environment

With the global economy yet to shake off the fallout from the crisis of 2008-2009, global growth dropped to virtually 3% in 2012. Britam was fortunate to be operating in one of the most dynamic regions in Africa with solid growth prospects over the next decade.

The Kenya Macroeconomic Environment

It is commendable that despite an increase in perceived political risk due to anxiety over the general elections over and above the low global economic growth, Kenya achieved reasonable growth in 2012, thanks to domestic economic factors.

The country entered 2013 with an inflation rate of 3.2%, the lowest witnessed in the last three years, attributable to high food supply and stable oil prices in the international market.

In early 2012, the Central Bank Rate (CBR) was raised significantly by the Central Bank of Kenya (CBK) resulting in banks charging their customers interest rates in excess of 23%. This interest rate rise was in response to an unprecedented weakening of the Kenya shilling yielding to pressure on the external account and spiralling inflation. By the close of the year 2012, the interest rates and the exchange rates had been managed downwards and stabilised, helped by a continued decline in the inflation rate and an easing monetary environment.

The overall beneficiary of the macroeconomic environment was the equities markets. The NSE-20 Share Index closed at 4,133 points, up from 3,205 points at the close of 2011, a 28.9% growth. This ranked the NSE amongst the top global performers in 2012.

The Uganda Macroeconomic Environment

The Ugandan economy was also on a recovery path in 2012. The inflation figures declined from 25.6% in January 2012 to 5.5% by the end of December 2012. Indications are that the economy grew by 5% in 2012, up from 3.2% in 2011 which had been the lowest growth in over 20 years. Like in Kenya, the reduced level of inflation led the Bank of Uganda (BOU) to continue cutting its benchmark interest rate (CBR) from a high of 23% in December 2011 to 12.5% by the end of 2012.

The South Sudan Macroeconomic Environment

The South Sudan economy faced serious challenges in 2012 in terms of economic growth, very high inflation, severe fiscal constraints, and reliance on under-developed non-oil sectors. This followed the discontinuation of the drilling and exportation of oil due to disputes with Sudan, its northern neighbour. While the disputes are not fully resolved, and therefore political risks persist, we are hopeful that a solution will be reached in the first half of 2013 as there is significant focus on the situation by neighbouring countries and the international community.

Overall, we have seen significant investment in infrastructure in Eastern Africa. This level of investment gives us optimism that there is likely to be significant growth going forward.

THE GROUP'S BUSINESS ACTIVITIES

Britam is a diversified financial services group with interests in insurance, asset management, private equity, property and banking. It comprises an investment holding company, British-American Investments Company (Kenya) Limited, and four wholly owned operating subsidiaries: British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited, Britam Insurance Company (Uganda) Limited and Britam Insurance Company Limited - South Sudan.

British-American Insurance Company (Kenya) Limited underwrites all classes of life and non-life insurance risks as defined by the Kenyan Insurance Act except for aviation and bond investment. It is regulated by the Insurance Regulatory Authority (IRA).

British-American Asset Managers Limited provides investment advisory, private equity and fund management services to retail and institutional investors and is regulated by the Capital Markets Authority (CMA).

Britam Insurance Company (Uganda) Limited started operations in 2010 and is licensed to underwrite all classes of life and non-life insurance risks as defined by the Uganda Insurance Act and it is regulated by the Uganda Insurance Commission (UIC).

Britam Insurance Company Limited - South Sudan was incorporated in February 2012 and is licensed to underwrite all classes of life and non-life insurance - it commenced operations in November 2012.

The Group also owns strategic stakes of 10.64% in Equity Bank Limited and 21.46% in Housing Finance Company of Kenya Limited (HF) which are both listed on the Main Investment Market segment of the Nairobi Securities Exchange.

By the nature of our operations we are truly at the heart of the financial services sector in the region and it is a responsibility that we take very seriously both from an operational and product/services development stand points and indeed for the development of the region.

REVIEW OF OUR BUSINESS STRATEGY

We have strong belief in the growth of the Eastern Africa region. To this end, Britam has made significant strategic moves over the last financial year which will serve as a great platform for continued growth into the future and ensure more stable earnings growth in all our lines of business. Britam's strategy covers three strands: regional expansion in Eastern Africa, local expansion of our existing businesses within the Kenyan market, and property development.

Our ambition is to increase the scope of our operations and widen our footprint to the rest of Eastern Africa. In addition to our operation in Uganda, Britam entered the South Sudan market in July 2012. We are already experiencing strong sales growth in this market despite the current economic challenges whilst Britam Uganda continues to gain market share in the country's market. The Board has also approved entry into the Rwanda market and we are currently awaiting the license to operate there. We will continue with this regional expansion strategy in 2013.

The other strand of our growth strategy is local expansion in the Kenyan market. We recognise there are significant growth opportunities in the local market for both our insurance and asset management offerings. The Group has placed significant emphasis on its position as a market leader in these sectors and is taking advantage of the well founded and extraordinary optimism of the Kenyan population about this country's economic potential. Life insurance has long been recognised for its ability to create, mobilise and distribute capital through the sale of long term insurance products and the re-injection of accumulated savings into the economy via investments such as land and property development, equities and fixed income. The Group will continue to pursue its long established business model even as it builds and develops new lines of business. In 2012 we opened several branches and franchises. We will continue with this growth strategy by opening many more branches and franchises to serve the counties. We continued to expand our strength in distribution through our sales force of Financial Advisors, which is now over 1,300 strong men and women spread throughout the country. We will continue to increase the number of Financial Advisors and ensure that we reach all viable parts of the economy with the growth of the branch network.

On the property front, we have ramped up our investment in the real estate sector and launched the development of a large scale iconic office development in the Upper Hill area of Nairobi. We are also in an advanced stage of setting up our Property Fund to be managed by our asset management business. We are also looking into property development opportunities in South Sudan and Uganda. We will continue developing strategic alliances in the housing sector to enable more Kenyans access to affordable housing.

PERFORMANCE REVIEW

The Group made a profit before tax of Shs 2.8 billion compared to a loss before tax of Shs 1.7 billion in 2011. It achieved an impressive comprehensive income of Shs 4.2 billion against a comprehensive loss of the same amount in 2011. The good performance was driven by solid performance of the core businesses of the Group and the favourable economic environment.

The Group's gross income increased from Shs 5.8 billion to Shs 7.2 billion during the year, an admirable growth of 24%.

In line with our belief in creating a long term sustainable enterprise, the Group continued to invest in (a) quality human capital to lead growth; (b) branch and regional infrastructure in line with the strategy to expand to the counties as aligned to the New Constitution and; (c) new technology in line with our IT strategy and architecture. This targeted investment has resulted in an average growth in operating costs of 17% from Shs 1.8 billion to Shs 2.1 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.

Total assets managed by the Group grew by 43% from Shs 37 billion as at 31 December 2011 to Shs. 53 billion as at 31 December 2012. Clients' Assets Under Management (AUM) in the investment and fund management business grew by 38% to Shs 28.1 billion, up from Shs 20.4 billion in 2011.

SUBSIDIARY BUSINESSES BOARD CHANGES

To further improve corporate governance and operational strategy execution, some changes were made to the boards of the subsidiary companies. Mr. Peter K. Munga was appointed the Chairman of our Kenya insurance business while Mr. Nduva Muli became the Chairman of the asset management business in Kenya, positions previously held by myself. It is my pleasure therefore to congratulate my colleagues on these appointments as they continue contributing proactively to the performance of the Group.

DIVIDEND

The Board of Directors is recommending a dividend for the year of Shs 473 million (2011: Shs 284 million) or Shs 0.25 per share (2011: Shs 0.15), an increase of 66.7%.

FINANCIAL SECTOR DEVELOPMENTS

It is our strong belief at Britam that access to financial services is one of the core pillars for the meaningful development of the East African economy. The development of the sector is in our opinion still at its infancy and there is tremendous scope for further growth.

The asset management business of the Group continues to grow despite the challenging times that demand management of investments while observing compliance and effective risk focus. In the course of identifying opportunities and supporting growth, the asset management industry in our market has today to contend with increased competition, heightened regulatory scrutiny and growing customer demands for more information and greater transparency, all set against the backdrop of a volatile environment.

The property market in the Eastern Africa region remains very buoyant and the Group is positioned to expand further on its investment in this sector. We have recently launched a large scale iconic office development in the Upper Hill area of Nairobi, we are also in an advanced stage of setting up a substancial property fund to be managed by our asset management business. We will continue developing strategic alliances in the housing sector to enable more Kenyans to affordable housing. There are other opportunites, for instance, the first growing middle class, devolved government system and tourism that are creating a growing need for affordable hotel accommodation facilities especially in the counties. Furthermore we are pursuing property development opportunities in South Sudan and Uganda.

Insurance penetration in Kenya at 3% is still a far cry from the country's true potential despite being relatively high by African standards. In the agricultural sector, for instance, which comprises a vital share of the economy and contribution to GDP, the insurance sector could and should play a bigger role in its development by the generation of the appropriate products. Weather-index micro insurance schemes can, for example, make a measurable impact where payouts can enable farmers to recover from what would otherwise be financial disaster. Unfortunately, most micro insurance schemes currently face a number of regulatory and operational challenges, but I wish to laud the Insurance Regulatory Authority for the effort that has led to the recognition of micro insurance as a standalone class of insurance and giving it the prominence that it deserves.

Likewise, the very low insurance penetration of less than 1% in Uganda calls for joint and concerted effort by both the Insurance Industry and the Government in promoting public awareness of insurance. Micro-insurance has potential to substantially increase insurance penetration whilst supporting socio-economic development not only through supporting access to credit through credit life insurance, but also by covering areas such as specialised health, agriculture and life insurance. As insurance companies strive to drum up appropriate awareness levels and develop their business and distribution models, it is vital that the Government supports these efforts. Government can support the insurance industry through sustained public insurance education campaigns and expanding and enforcing the mandatory insurance regime. We thank the Insurance Regulatory Authority and the Government of Uganda for initiating positive and timely reforms through the Insurance Amendment Act, Act 13 of 2011, conducting monthly CEO's sensitisation and consensus building meetings, and promotion of good Corporate Governance among other commendable initiatives in the industry. We also thank the Uganda Insurers Association for its active role in ensuring effective advocacy on matters of common interest to industry players during the year.

We applaud all efforts being made to resolve the various hurdles facing South Sudan. We have seen significant progress in regard to the resolution of the differences with the North and look forward to working with the government and other players to grow the financial services sector. We see great opportunities for insurance, investments and property sectors in the country.

Meanwhile, it is noteworthy that the discovery of oil and gas in Kenya and Uganda has marked a significant opportunity for the insurance and financial sector in the region. While we believe that adequate technical intelligence is required to provide security around the multitude of issues that accompany a discovery of this kind, the role of the insurance industry regarding this development cannot be overemphasised.

FUTURE OUTLOOK

According to the World Bank and the IMF, the global economic recovery remains fragile and uncertain, clouding the prospect for rapid improvement and a return to more robust economic growth with sluggish 3% growth performance for the advanced economies and significant downward revisions for the emerging markets. Regionally, any developments following the elections in Kenya are bound to contribute to the economy and the business environment in the short-run, while regional economies continue to contend with the challenges carried over from 2012.

The Group remains committed to building a long term, sustainable business in the Eastern Africa region and will aggressively pursue both local and geographical expansion through greenfield operations and acquisitions. The Group will also continue to pursue its expansive property development strategies. In Kenya, the peaceful general elections and continued implementation of the constitution provides reassurance on the stability of the country as key institutions like the Judiciary and the IEBC act to defend and support the constitution. We believe that 2013 will be another robust year for the Group and are confident that we will continue to go from strength to strength.

The Group will continue to work closely with other industry players to engage the governments on the respective common industry issues.

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. On our part, we undertake to reciprocate this support and confidence by exceeding your expectations and delivering the brand promise.

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.

J. Nicholas Ashford-Hodges
Chairman
13 March 2013

Kwa niaba ya Bodi ya Wakurugenzi wa kampuni tanzu za British-American Investments Company (Kenya) Limited, nina furaha kuwasilisha kwenu Ripoti ya Kila Mwaka na Taarifa za Kifedha kwa Mwaka uliomalizika Desemba 31, 2012.

Licha ya kuhudumu katika mazingiria magumu ya kibiashara, Kampuni ilipata matokeo bora huku mapato yakiimarika na faida kuongezeka. Shirika hili linaendelea kutekeleza mikakati yake ya ukuaji kama ilivyofafanuliwa kwa wenyehisa na wale wanaonuia kuwa wawekezaji wakati wa Toleo la Kwanza la Hisa kwa Umma. Utekelezaji wa mkakati wetu katika vitengo mbalimbali vya biashara yetu umefanikisha matokeo bora katika mwaka uliokuwa na changamoto nyingi 2011 na kupata faida ya Sh 2.8 bilioni kabla ya ushuru katika 2012.

Katika Septemba 2012, Kampuni ilizindua chapa yake mpya 'Britam.' Kitambulisho hiki sasa kinatumika katika maeneo yote ambapo shirika hili linaendesha biashara. Kwa miaka mingi, tulikuwa tunajulikana kama Britak nchini Kenya na tulihusishwa zaidi na biashara ya bima licha ya kujishughulisha na aina nyingine ya biashara katika sekta ya huduma za kifedha.

MAZINGIRA YA UTENDAKAZI

Mazingira ya Kiuchumi Duniani

Huku uchumi wa dunia bado ukiathiriwa na msukosuko wa kifedha wa 2008-2009, ukuaji wa uchumi duniani ulididimia kwa asilimia 3 mnamo 2012. Britam ilibahatika kuhudumu katika mojawapo ya maeneo thabiti Afrika yaliyo na matumaini ya ukuaji imara katika mwongo mmoja ujao.

Hali ya Kiuchumi nchini Kenya

Ni jambo la kutia moyo kwamba, licha ya kupanda kwa joto la kisiasa kutokana na mtafaruku kuhusu uchaguzi mkuu, Kenya ilipata ukuaji wa kiwango kifaacho mnamo 2012, hasa kutokana na shughuli za kiuchumi nchini.

Nchi iliingia 2013 na kiwango cha gharama ya maisha cha asilimia 3.2 kiwango cha chini zaidi kuwahi kuripotiwa katika miaka mitatu iliyopita, hali iliyotokana na uzalishaji wa chakula kingi na uthabiti wa bei ya mafuta katika soko la kimataifa.

Mapema 2012, Kiwango cha Riba cha Benki Kuu ya Kenya (CBR) kilipandishwa maradufu na Benki Kuu ya Kenya (CBK) na hivyo kufanya benki za kibiashara kuwatoza wateja wao kiwango cha riba cha zaidi ya asilimia 23. Kiwango hiki kilitokana na upungufu wa kihistoria wa thamani ya shilingi ya Kenya kutokana na shinikizo kutoka nje na kupanda kwa gharama ya maisha. Kufikia mwisho wa 2012, viwango vya riba na viwango vya ubadilishanaji wa fedha za kigeni vilikuwa vimedhibitiwa na kupungua, hasa kutokana na kupungua kwa gharama ya maisha na kutulia kwa mazingira ya kifedha.

Walionufaika zaidi na mazingira haya ya kiuchumi ni masoko ya hisa. Kipimo cha jumla ya thamani ya Kampuni 20 Bora katika Soko la Hisa kilipanda hadi pointi 4,133, kutoka pointi 3,205 za awali kufikia 2011, ukuaji wa asilimia 28.9. Hii iliifanya NSE kuwa miongoni mwa masoko ya hisa yaliyofanya vyema zaidi duniani mwaka huu.

Hali ya Kiuchumi nchini Uganda

Uchumi wa Uganda pia ulianza kuimarika 2012. Viwango vya gharama ya maisha vilipungua kutoka asilimia 25.6 mnamo Januari 2012 hadi asilimia 5.5 kufikia mwisho wa Desemba 2012. Kuna ishara kwamba uchumi ulikuwa kwa asilimia 5 mnamo 2012 kutoka asilimia 3.2, 2011 ambacho ndicho kiwango cha chini zaidi katika muda wa miaka 20. Sawa na Kenya, kiwango cha chini cha gharama ya maisha kiliifanya Benki Kuu ya Uganda (BOU) kuendelea kupunguza kiwango chake kielekezi (CBR) kutoka kiwango cha juu cha asilimia 23 mnamo Desemba 2011 hadi asilimia 12.5 kufikia mwisho wa 2012.

Taarifa ya Mwenyekiti

Mazingira ya kiuchumi Sudan Kusini

Uchumi wa Sudan Kusini ulikumbwa na changamoto nyingi 2012 kuhusiana na ukuaji wa uchumi, kiwango cha juu cha gharama ya maisha, mapato ya chini ya fedha na utegemeaji wa sekta zingine zisizohusiana na mafuta ambazo bado ni changa. Hii ilifuatia kusitishwa kwa uchimbuaji na utafutaji wa mafuta kwenye visima vipya kutokana na mzozo na jirani yake Sudan, katika eneo la Kaskazini. Ingawa mizozo hiyo haijasuluhishwa na hivyo hatari za kisiasa bado zingalipo, tuna matumaini kwamba, suluhisho litapatikana katika nusu ya kwanza ya mwaka 2013 kwa kuwa kuna jitihada nyingi kutoka mataifa jirani na jamii ya kimataifa kutatua zogo hilo.

Kwa jumla, kumekuwa na uwekezaji mkubwa katika miundomsingi eneo la mashariki mwa Afrika. Kiwango hiki cha uwekezaji kinatupa matumaini kwamba, ukuaji utaimarika siku zijazo.

SHUGHULI ZA KIBIASHARA ZA KAMPUNI

Britam ni shirika linalotoa huduma tofauti katika sekta ya fedha huku likijihusisha na bima, usimamizi wa mali, hisa za kibinafsi, nyumba na benki. Inashirikisha kampuni ya uwekezaji ya British-American Investments Company (Kenya) Limited, na taasisi nyingine nne tanzu zinazomilikiwa na kampuni: British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited, Britam Insurance Company (Uganda) Limited na Britam Insurance Company Limited, South Sudan.

British-American Insurance Company (Kenya) Limited inawekea bima aina zote za hatari za bima ya maisha na ile isiyo ya maisha kama inavyofafanuliwa na Sheria ya Bima Kenya isipokuwa usafiri wa ndege na uwekezaji wa dhamana. Inasimamiwa na Mamlaka ya Usimamizi wa Bima (IRA).

British-American Asset Managers Limited inatoa ushauri kuhusu uwekezaji, hisa za kibinafsi na huduma za usimamizi wa hazina kwa wawekezaji wadogo na mashirika na inasimamiwa na Mamlaka ya kusimamia Masoko ya Hisa (CMA).

Britam Insurance Company (Uganda) Limited ilianza huduma zake mnamo 2010 na ina kibali cha kuwekea bima aina zote za hatari kwa bima ya maisha na ile isiyo ya maisha kama inavyoelezwa na Sheria ya Bima Uganda na inasimamiwa na Tume ya Bima ya Uganda (UIC).

Britam Insurance Company Limited, South Sudan, ilianzishwa Februari 2012 na ina kibali cha kuweka bima kwa aina zote za bima ya maisha na bima isiyo ya maisha-ilianza operesheni zake Novemba 2012.
Kampuni pia inamiliki mtaji maalumu wa asilimia 10.64 katika Equity Bank Limited na asilimia 21.46 katika Housing Finance Company of Kenya Limited (HF) ambazo zimeorodheshwa kwenye Kitengo Kikuu cha Uwekezaji katika Soko la Hisa la Nairobi.

Kutokana na hali ya huduma zetu, sisi kwa kweli tumo katika ya sekta ya huduma za kifedha katika eneo hili na ni wajibu tunaochukulia kwa makini kutoka utendakazi, ustawi wa bidhaa na huduma katika kanda hii.

KUCHUNGUZA UPYA MKAKATI WETU WA BIASHARA

Tuna imani kuu katika kanda ya Afrika Mashariki. Kutokana na hali hii, Britam imepiga hatua muhimu katika kipindi kilichomalizika cha kifedha ambacho kitatoa fursa kuu kwa ukuaji wa siku sijazo na kuhakikisha kudumishwa kwa mapato katika biashara zetu tofauti. Mkakati wa Britam unahusisha nguzo tatu: upanuzi wa biashara katika eneo la Afrika Mashariki, upanuzi wa biashara zilizopo nchini Kenya na ustawi wa raslimali.

Matumaini yetu ni kuongeza huduma zetu na kusambaa katika eneo zima la Afrika Mashariki. Mbali na operesheni zetu Uganda, Britam iliingia katika soko la Sudan Kusini Julai 2012. Tayari tunashuhudia mauzo makubwa katika soko hili licha ya changamoto za sasa za kiuchumi. Britam Uganda inaendelea kuimarika pakubwa. Bodi pia iliidhinisha usambazaji wa huduma zetu nchini Rwanda na kwa sasa, tunasubiri leseni ya kuhudumu nchini humo. Tutaendelea na mkakati huu wa upanuzi wa biashara zetu katika eneo hili 2013.

Mbinu nyingine ya ukuaji wetu ni upanuzi wa soko la Kenya. Tunatambua kuwa kuna nafasi tele za ukuaji nchini wa biashara yetu ya bima na usimamizi wa raslimali. Kampuni inatambua nafasi yake kama kiongozi katika sekta hizi na inatumia fursa ya matumaini makubwa miongoni mwa wananchi kuhusiana na ustawi wa kiuchumi nchini. Bima ya maisha imetambuliwa kwa uwezo wake wa kuunda, kutafuta na kusambaza mtaji kupitia mauzo ya huduma za muda mrefu za bima na matumizi ya akiba ya muda mrefu katika uwekezaji kama vile ustawi wa ardhi na nyumba, hisa na mapato ya kila mwezi. Kampuni itaendelea kuzingatia muundo wake wa muda mrefu wa kibiashara huku inapoanzisha aina mpya ya biashara. Mnamo 2012, tulifungua matawi mengi na kuteua wawakilishi wengi kuhudumu katika Kaunti. Tuliendelea kupanua uwezo wetu katika usambazaji kupitia wahudumu wetu wa mauzo ambao sasa ni zaidi ya washauri wa kifedha 1,300, walio katika nchi nzima. Kutokana na kupanuka kwa mtandao wa matawi yetu, tutaendelea kuongeza idadi ya washauri wa kifedha na kuhakikisha tunafika katika maeneo yote muhimu ya nchi hii.

Kwa upande wa nyumba, tumeimarisha uwekezaji katika sekta ya ujenzi wa nyumba na kuanzisha ujenzi mkubwa wa afisi katika eneo la Upper Hill, Nairobi. Tumo mbioni pia kuanzisha Hazina yetu ya Nyumba itakayosimamiwa na biashara yetu ya usimamizi wa mali. Pia tunatafuta nafasi za uwekezaji katika nyumba nchini Sudan Kusini na Uganda. Tutaendelea na mikakati ya ushirikiano katika sekta ya nyumba kuwezesha Wakenya kupata makao nafuu.

TATHMINI YA MATOKEO

Kampuni ilipata faida kabla ya ushuru ya Sh 2.8 bilioni ikilinganishwa na hasara kabla ya ushuru ya Sh1.7 bilioni 2011. Ilipata mapato ya kutia moyo ya Sh 4.2 bilioni dhidi ya hasara ya kiasi kama hicho mnamo 2011. Matokeo hayo mazuri yalichochewa na utendakazi bora wa biashara yetu muhimu na mazingira mazuri ya kibiashara.

Mapato ya jumla ya Kampuni yaliimarika kutoka Sh 5.8 bilioni hadi Sh 7.2 bilioni mwaka uliopita, nyongeza ya kufurahisha ya asilimia 24.

Sambamba na imani yetu ya kuunda biashara ya kutegemewa katika siku sijazo, Kampuni iliendelea kuwekeza katika wafanyikazi wa hali ya juu kuendeleza ukuaji huo, miundomsingi katika matawi na upanuzi katika eneo hili sawa na mkakati wa kusambaza huduma hadi kaunti kama ilivyofafanuliwa kwenye Katiba Mpya na pia kuwekeza katika tekinolojia mpya sawia na mkakati wetu wa Tekinolojia ya Mawasiliano. Uwekezaji huu umeongeza gharama za utendakazi kwa asilimia 21 kutoka Sh 1.8bilioni hadi Sh 2.1 bilioni baada ya kuondoa mapato na gharama za kuanzisha vitengo vipya. Tutaanza kufurahia manufaa ya uwekezaji huu hivi karibuni kupitia usimamizi bora wa raslimali katika kampuni na pia utoaji huduma bora kwa wateja.

Raslimali zote zinazosimamiwa na Kampuni ziliongezeka kwa asilimia 43 kutoka Sh 37 bilioni kufikia Desemba 31, 2011 hadi Sh 53 bilioni kufikia Desemba 31, 2012. Raslimali za Wateja chini ya Usimamizi (AUM) katika biashara ya uwekezaji na usimamizi wa hazina ziliongezeka kwa asilimia 38, hadi Sh 28.1 bilioni, kutoka Sh 20.4 bilioni mnamo 2011.

MABADILIKO KATIKA BODI ZA KAMPUNI TANZU

Ili kuimarisha maongozi ya kampuni na utekelezaji wa mkakati wa utendakazi, baadhi ya mabadiliko yalifanywa kwa bodi za kampuni zetu. Bw Peter K. Munga aliteuliwa Mwenyekiti wa biashara yetu ya bima Kenya ilhali Bw Joseph N. Muli alikuwa Mwenyekiti wa biashara ya usimamizi wa raslimali Kenya, nafasi ambazo awali nilikuwa ninashikilia. Ni furaha yangu basi kuwapongeza wenzangu kwa uteuzi huu wanapoendelea kutoa mchango wao kwa Kampuni.

MGAO WA FAIDA

Bodi ya Wakurugenzi inapendekeza jumla ya mgao wa faida kwa mwaka wa Sh 473 milioni (2011: Sh 284 milioni) au Sh 0.25 kwa kila hisa (Sh 0.15), nyongeza ya asilimia 66.7.

MAENDELEO KATIKA SEKTA YA KIFEDHA

Katika Britam, tunaamini kwamba kupata huduma za kifedha ni mojawapo ya nguzo kuu kwa maeneo yafaayo kwa uchumi wa Afrika Mashariki. Ustawi wa sekta hii kwa maoni yetu, ungali changa na kuna nafasi tele za ukuaji. Biashara ya usimamizi wa raslimali katika Kampuni inaendelea kukua licha ya changamoto zilizopo za kusimamia uwekezaji huku ukizingatia sheria na kuangalia hatari zilizopo. Katika hali ya kutambua nafasi zilizopo na kuimarisha ukuaji, sekta ya usimamizi wa raslimali katika soko letu inaendelea kukumbana na ushindani mkubwa, uchunguzi wa karibu wa taasisi za kisheria na mahitaji yanayoongezeka ya wateja kwa maelezo zaidi na uwazi mkubwa, yote haya katika mazingira yenye msukosuko mkubwa. Soko la nyumba katika eneo la Afrika Mashariki lina nafasi kubwa ya ukuaji na Kampuni iko tayari kutosheleza mahitaji hayo. Nchini Kenya, kwa mfano, taifa lililostawi zaidi Afrika Mashariki, idadi ya watu wa mapato ya kadiri, mfumo wa ugatuzi na ustawi wa sekta ya utalii- ambazo zinatoa nafasi kwa ujenzi wa hoteli nafuu ambazo zinafikia viwango vya kimataifa- ni nafasi kubwa za kibiashara.

Utoaji huduma za bima Kenya umo katika asilimia 3, chini mno, ikilinganishwa na nafasi iliyopo, licha ya kuwa juu kwa viwango vya Afrika. Katika sekta ya kilimo, kwa mfano, ambayo hutoa mchango mkubwa kwa uchumi na jumla ya mapato ya nchi (GDP), sekta ya bima inapasa kutekeleza wajibu mkubwa zaidi katika maendeleo yake kwa utoaji huduma zifaazo. Bima ndogo za kulenga hali ya anga, kwa mfano, zinaweza kusaidia wakulima kujikwamua kifedha kutokana na hali ambayo ingeweza kuwalemaza kabisa. Lakini kwa bahati mbaya, mipango ya bima ndogo ya sasa inakabiliwa na changamoto kubwa za utendakazi na usimamizi, lakini ningependa kupongeza Mamlaka ya Usimamizi wa Bima (IRA) kwa jitihada zilizowezesha kutambua mpango wa bima ndogo kama aina ya kipekee ya bima na hivyo kuipa hadhi inayostahili.

Vile vile, usambazaji wa chini wa bima wa chini ya asilimia 1 Uganda unahitaji ushirikiano kati ya sekta ya bima na Serikali kuimarisha uhamasisho wa umma kuhusu bima. Mipango midogo ya bima ina uwezo wa kuimarisha kikamilifu usambazaji wa huduma za bima huku ikisaidia katika ustawi wa kijamii na kiuchumi sio tu kupitia utoaji wa mikopo kupitia bima ya maisha kwa mkopo, bali pia kushughulikia nyanja maalumu kama vile afya, kilimo na bima ya maisha. Huku Kampuni za bima zinapojikakamua kuhamasisha umma na kustawisha miundo yake ya kibiashara na usambazaji, ni muhimu kwa Serikali kusaidia jitihada hizi.

Serikali inaweza kusaidia sekta ya bima kupitia kampeni za kuelimisha umma kuhusu bima na kuongeza idadi ya wale wanaochukua bima ya lazima na kuhakikisha agizo hilo linafuatwa. Tunashukuru IRA na Serikali ya Uganda kwa kuanzisha marekebisho yaafayo kupitia Kifungu cha Marekebisho ya Bima, Kifungu 13 cha 2011, kuandaa vikao vya kuhamasisha wakurugenzi wa kampuni kila mwezi, kusisitiza Maongozi Bora ya Kampuni miongoni mwa mipango mingine katika sekta. Pia tunashukuru Chama cha Kampuni za Bima Uganda kwa wajibu wao muhimu wa kupigania kikamilifu maslahi ya sekta hii mwaka uliopita.

Tunapongeza jitihada zinazofanywa kutatua vizingiti vinavyokumba Sudan Kusini ikizingatiwa kuwa hali ya kiuchumi 2012 ilikumbwa na gharama ya juu ya maisha iliyotokana na kupanda kwa bei za chakula na mafuta kufuatia mzozo wa muda mrefu uliotokana na kujitenga kwa nchi hiyo na Kaskazini, hatua iliyosababisha kukwama kwa uuzaji wa mafuta katika nchi za nje na kusababisha ukosefu wa fedha za kigeni. Tumeshuhudia hatua kubwa kuhusiana na utatuzi wa tofauti zilizokuwepo na tunatumaini kufanya kazi na serikali na washirika wengine kuinua sekta ya kifedha. Tunaona nafasi kubwa kwa bima, uwekezaji na sekta za nyumba nchini humo.

Kwa jumla, ni muhimu kukumbuka kwamba, kupatikana kwa mafuta na gesi nchini Kenya na Uganda kumetoa nafasi nzuri ya ukuaji wa sekta za bima na kifedha katika eneo hili. Huku tukiamini kwamba ripoti za kijasusi zinahitajika kutoa usalama kuhusiana na masuala kadha yanayoambatana na uvumbuzi wa aina hii, wajibu wa sekta ya bima kuhusiana na maendeleo haya ni mkubwa mno.

HALI YA BAADAYE

Kulingana na Benki ya Dunia na Shirika la Fedha Duniani (IMF), uchumi wa dunia bado unayumbayumba, na hivyo kufifisha matumaini ya ukuaji wa haraka na ustawi mkubwa wa kiuchumi huku chumi nyingi za mataifa yaliyostawi zikikuwa kwa asilimia 3 na zile za mataifa changa zikididimia.
Katika eneo hili, matukio yoyote kufuatia uchaguzi mkuu wa amani Kenya yanatarajia kuimarisha hali ya kiuchumi na kibiashara katika muda mfupi, huku chumi hizo zikiendelea kukabiliana na changamoto zilizotokana na 2012.

Kampuni inajitolea kuunda biashara ya muda mrefu na ya kutegemewa katika eneo la Afrika Mashariki na itaendelea na jitihada zake za upanuzi Kenya na katika kanda hii kupitia ujenzi katika ardhi ambayo haijastawishwa au ununuzi wa biashara zingine. Kampuni itaendelea kutekeleza mikakati yake ya ustawi wa raslimali zake. Nchini Kenya, uchaguzi mkuu wa amani na utekelezaji wa katiba unaoendelea unatoa hakikisho kuhusiana na uthabiti wa taasisi muhimu kama vile mahakama na IEBC kutetea na kuunga mkono katiba. Tunaamini kuwa 2013 utakuwa mwaka mwingine wenye ufanisi kwa Kampuni na tuna matumaini kuwa tutaendelea kupata ufanisi baada ya mwingine.

Kampuni itaendelea kushirikiana kwa karibu na wahusika wengine katika sekta ya bima ili kushauriana na serikali kuhusiana na masuala yanayoathiri sekta hii.

SHUKRANI

Tumefurahia mchango na kuungwa mkono na wateja wetu wapendwa, wawekezaji, washirika muhimu, washirika wa kibiashara na wasimamizi. Tunatathmini na kushukuru kwa ushirikiano huu na kuamini kwamba tutaendelea kuutegemea katika siku zijazo. Kwa upande wetu, tunajitolea kurudisha msaada huu na imani kwa kuzidisha matarajio yenu na kutimiza ahadi ya chapa hii.

Ningependa kutoa shukrani zangu kwa wakurugenzi wenzangu kwa ushauri wao unaofaa na hasa kwa wafanyikazi wetu na washauri wa kifedha kwa mchango wao, uaminifu na kujitolea kwao. Na mwisho, ningependa pia kuwashukuru wenyehisa kwa kuendelea kutuunga mkono na kuwa na imani na mkakati wetu na muundo wetu wa biashara.

J. Nicholas Ashford-Hodges
Mwenyekiti
Machi 13, 2013


I AM TRUST
We strive to enhance your financial security, well being
and success with our outstanding financial services.

Benson I. Wairegi - Group Managing Director

Group Managing Director's Report

ECONOMIC OVERVIEW

The economic performance of the Eastern Africa region and specifically Kenya, Uganda and South Sudan where Britam currently operates, was positive in 2012. This is despite the major economic challenges experienced at the start of the year and the then prevailing prediction of a global economic storm linked to the crisis in the euro-zone.

The year started with an extremely high inflation rate of 18.3%, high interest rates and weakening of the Kenya shilling. The Central Bank of Kenya's (CBK) Monetary Policy Committee increased the Central Bank Rate (CBR) to a high of 18% in the period from January to June 2012. In the latter part of the year, the macroeconomic conditions improved significantly with Inflation declining to a low of 3.2%, the CBR to 9.5% and the exchange rate stabilising at Shs 86 by December 2012. The Government's prudent fiscal policies coupled with the reforms created by the New Constitution boosted investor confidence. The improved macro-economic environment resulted in a rally in the Nairobi Securities Exchange with the NSE 20 Share Index closing the year at 4,133, an annual return of 28.9%, making the Nairobi Securities Exchange (NSE) the top performer in Sub-Saharan Africa after Nigeria.

Similarly to Kenya, the inflationary pressures that had threatened to destabilise the performance of the Ugandan economy came under control by the end of the year with the annual headline and core inflation closing the year at 5.5% and 4.6% respectively following monetary policy intervention by the Bank of Uganda (BOU) which increased the CBR rate to a high of 23% earlier in the year but reduced it to a low of 12.5% by December 2012.

The South Sudan's economy was also plagued by high inflation in 2012 following the shutdown of all its oil fields as a result of its dispute with Sudan over a range of post-secession issues. This also resulted in significant shortage of foreign currency. We believe that the on-going efforts aimed at streamlining the mechanism to market oil will soon result in a long term sustainable solution.

GROUP PERFORMANCE

As an investment holding company, we fully appreciate that our performance is the sum total of the performance of the underlying businesses and the performance of our investment portfolio. We have consequently ensured that our strategy has taken cognizance of that fact both in its formulation and implementation. Our vision is to create a top performing financial services group and ensure long term sustainable value for the shareholders.

The focused execution and implementation of the Group strategy coupled with the rebound in the stock market has reversed the adverse performance in 2011. The Group registered a profit before tax of Shs 2.8 billion in 2012 from a loss of Shs 1.7 billion in the previous year. The core insurance and asset management operations of the Group registered very strong performance with gross revenue growing by 24% from Shs 5.8 billion in 2011 to Shs 7.2 billion in 2012.

The insurance business registered a profit before tax of Shs 1.5 billion representing a 33.6% increase over 2011. This comprised life insurance business profit of Shs 848 million and general insurance business profit of Shs 608 million against Shs 605 million and Shs. 484 in 2011 respectively. The general insurance underwriting profit was however lower by 10% from Shs 377 million in 2011 to Shs 339 million. The reduction in underwriting profits is explained by the performance of the Uganda and South Sudan operations which are in their formative stages and which are expected to contribute positively to the underwriting profit from 2013 onwards.

The asset management company, British-American Asset Managers Limited, achieved a profit before tax of Shs 115.9 million compared to Shs 43.9 million in 2011 representing a growth of 163.8%. This excellent performance was mainly due to a 57.5%

increase in revenues riding on Assets Under Management (AUM) which grew to Shs 28.1 billion from Shs 20.4 billion in 2011, a 37.7% 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 5 billion compared with a loss of Shs 2.1 billion in 2011, with income before any gains from financial assets at fair value through profit and loss amounting to Shs 2.0 billion against Shs 808 million in 2011.

The financial position of the Group is extremely strong with total Group assets and shareholders' funds at Shs 35.8 billion and Shs 12.5 billion respectively, against Shs 25.6 billion and Shs 8.5 billion in 2011.

As a reflection of the good performance, the proposed dividend of Shs 473 million is an increase of 66.7% from Shs 284 million paid in 2011.

OUR BRAND STRATEGY

We continue to entrench the **"One Company One Brand Strategy"** in the Group. The unified brand is aimed at ensuring that the various Group companies interact in a consistent way with our consumers and stakeholders, not just through our products and unified distribution, but also through what we consider one of our primary assets and a key success factor: our brand. The unified sales force and branch network has resulted in better market coverage, enhanced convenience for our customers and a stronger brand image. In 2012, this initiative was enhanced when we launched the hugely successful **"I am Britam"** campaign.

The launch of the Britam brand has helped us harmonise all our businesses into the 'one company, one brand' philosophy, with a common vision aimed at helping the businesses communicate in one language and identified under a monolithic brand. The change in the brand identity was also symbolic of the changed business of the Group which is now 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 order to achieve operational excellence, the board has approved a new ICT Strategy. We have started an ambitious IT transformation journey for the entire Group in line with our 2012 to 2016 Group 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 2012 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 2012 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 2013, 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.

Group Managing Director's Report

TARGET OPERATING MODEL AND SHARED SERVICES

As the Group grows, exploitation of synergies and operational efficiency in the front, middle and back office are centre stage to sustainable profitable growth. During the year, a comprehensive review of the existing organization structure and design was undertaken. The key outcome of this review was a recommendation for the development and implementation of a Target Operating Model (TOM) whose main components were the implementation of a Shared Services Centre (SSC) and the development of a front office target operating model that enhances the ability of the Group to exploit synergies in production and distribution.

Consequently we opened new branch offices in Machakos, Bungoma, Kitengela, Murang'a, Nyahururu, Kakamega, Kericho and Naivasha during the year. We plan to open 4 new branches in selected towns in 2013. Implementation of the Shared Services Centre (SSC) is aimed at driving operational efficiencies through identification of routine transactional type rules based processes and sharing them across the Group.

ENTERPRISE RISK MANAGEMENT

Doing business inherently involves taking risks, and by taking measured risks we strive to be a sustainable company. Risk management is a strategic issue and an essential element of our corporate governance. The Board of Directors is responsible for managing the risks associated with our activities and, the management team is responsible for the establishment and adequate functioning of appropriate risk management and control systems.

An independent review of risk management across the Group, involving external experts was carried out in 2010 – 2011 and we have started a number of initiatives to improve our governance, risk management and internal control processes including the implementation of an Enterprise Risk Management Framework (ERMF). Britam's ERMF has been developed taking into consideration best risk management practice locally and internationally, the requirements of the Capital Markets Authority, the Insurance Regulatory Authority and the ISO 31000:2009 standard on Risk Management

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.

PROPERTY DEVELOPMENT

We have embraced property development and investment as a key strategic initiative aimed at enhancing shareholder value as well as diversifying our investment portfolio. We believe that property provides an attractive investment opportunity. We also believe that we can play a significant role in the infrastructural development and definition of the urban landscapes of the region. We are fortunate that property development and its associated returns align favourably with our investment criteria and corporate strategy. Historically, Britam has engaged in residential and commercial property development both for rental and outright sale. Building on past property development successes, we have embarked on our strategy to invest on a much broader scale in land and large scale development, including both commercial office buildings and residential housing, in Kenya and in the wider East African region.

A five year real estate investment strategy has been formulated and is the guide to all our property investment initiatives. In line with this strategy, we have embarked on the construction of a class A iconic building in Upper Hill, Nairobi, targeting triple A clients. The design team includes architects and engineers selected from South Africa, the UK and Kenya under the professional management of one of the leading project management firm in Africa.

Plans are also underway to start in the course of the year development of our very prime land in the Kilimani area in Nairobi whilst investment opportunities are also being sought in Juba, South Sudan and Kampala, Uganda. We continue to enhance the land bank with the focus now being on counties under the devolved government. We have made good progress in the setting up and operationalisation of our Property Fund.

REGIONAL EXPANSION

Our Vision is to be the largest insurance and asset management organisation in the East African Region. To this end our regional expansion program is well on course. The year 2012 marked Britam's second year of operation in Uganda and although the company has not yet broken even, it is making steady progress and is expected to breakeven in 2013.

Britam Insurance Company Limited - South Sudan started operations in 2012 and the indications so far are pointing towards good business prospects.

Finally, the board has approved the setting up of an insurance operation in Rwanda. The licensing of Britam insurance company Rwanda is now being pursued with a view to commencing operations within the second quarter of 2013. We are confident that soon and in line with our strategy, Britam will have a presence in all the East African Community Countries.

HUMAN CAPITAL AND PERFORMANCE MANAGEMENT

Britam continues to be performance and excellence driven with our goal being 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.

In pursuit of excellence, the company has in the last three 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 as the first runner-up for the Company of the Year Award in 2012. We were very excited about this recognition as it confirms that all our processes are approaching world class.

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 training and development programs are aligned with our value of continuous improvement. We have employed talent mapping in order to align competencies and career aspirations to the organisational needs and have the right people in the right roles. During the year, several members of management attended leadership and management programmes in Kenya, South Africa, Dubai and Mauritius.

We participate in regular remuneration surveys to ensure that our reward strategy is well aligned internally and in the market. Employee satisfaction surveys have also gone a long way in aiding in developing programs to ingrain our corporate culture.

Our current employee count stands at 408 and over 1,300 financial advisors.

Group Managing Director's Report

FUTURE PROSPECTS

Though global growth is expected to gradually strengthen in 2013 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 decade-old pace alongside other countries in Africa, with the relatively strong economic growth likely to extend beyond 2013 as some 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. This positive prognosis is reinforced by the recent peaceful general elections in Kenya. 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.

BWairegi

Benson I. Wairegi
Group Managing Director
13 March 2013

MUKHTASARI WA HALI YA KIUCHUMI

Hali ya kiuchumi katika eneo la Afrika Mashariki na hasa Kenya, Uganda na Sudan Kusini ambapo Britam inaendesha biashara kwa sasa, ilikuwa nzuri 2012. Hii ni licha ya changamoto kubwa za kiuchumi zilizoshuhudiwa mwanzoni mwa mwaka na ukadiriaji wa wakati huo wa msukosuko wa kiuchumi uliohusishwa na janga katika mataifa yanayotumia sarafu ya Euro.

Mwaka ulianza na kiwango cha juu cha gharama ya maisha cha asilimia 18.3, kiwango cha juu cha riba na kupungua kwa thamani ya shilingi ya Kenya. Kamati inayosimamia Sera ya Kifedha ya Benki Kuu ya Kenya (CBK) iliongeza Kiwango cha Riba cha Benki Kuu ya Kenya (CBR) kwa hadi asilimia 18 katika kipindi kuanzia Januari hadi Juni 2012. Katika kipindi cha pili cha mwaka, mazingira ya kiuchumi yaliimarika kikamilifu huku gharama ya maisha ikipungua hadi asilimia 3.2, kiwango cha CBR hadi 9.5 na kiwango cha ubadilishanaji wa fedha za kigeni kikitulia katika Sh86 kufikia Desemba 2012. Sera nzuri za Serikali za usimamizi wa fedha pamoja na mabadiliko yaliyotokana na Katiba Mpya ziliimarisha imani ya wawekezaji. Kuimarika kwa mazingira ya kiuchumi kulichangia kupanda kwa thamani za hisa katika Soko la Hisa la Nairobi huku kipimo cha jumla ya thamani ya kampuni 20 bora katika NSE kikimaliza mwaka katika pointi 4,133 mapato ya kila mwaka ya asilimia 28.9, na hivyo kuifanya NSE miongoni mwa masoko bora zaidi kusini mwa jangwa la Sahara baada ya Nigeria.

Sawa na Kenya, shinikizo za gharama ya juu ya maisha ambazo zilitishia kuvuruga hali ya uchumi wa Uganda zilidhibitiwa kufikia mwisho wa mwaka huku gharama ya juu ya maisha ikifikia asilimia 5.5 na ile ya kimsingi kufikia mwishoni mwa mwaka ikifikia asilimia 4.6. Hii ilitokana na kuingilia kati kwa Benki ya Uganda (BOU) kwa kuongeza kiwango cha riba cha Benki Kuu (CBR) hadi asilimia 23 mapema mwaka huu lakini kilichopungua hadi kiwango asilimia 12.5 kufikia Desemba 2012.

Uchumi wa Sudan Kusini pia ulikumbwa na mfumko mkubwa wa bei za bidhaa 2012 kufuatia kufungwa kwa visima vyake kufuatia mzozo wake na Sudan kuhusiana na masuala kadha yanayohusisha kujitenga kwake. Hali hii pia ilichangia kupungua pakubwa kwa fedha za kigeni. Tunaamini jitihada zinazoendelea zenye lengo la kuimarisha mipango ya kuuza mafuta itapata jawabu la kudumu kwa zogo hilo.

MATOKEO YA KAMPUNI

Kama kampuni ya uwekezaji, tunatambua vilivyo kwamba, matokeo yetu ni jumla ya utendakazi wa biashara nyingine na matokeo ya kitengo chetu cha uwekezaji. Hivyo basi, tumehakikisha kuwa mkakati wetu unatambua hali hii ulipobuniwa na unapotekelezwa. Shabaha yetu ni kuunda kampuni kuu ya utoaji huduma za kigedha na kuhakikisha tunatoa thamani ya muda mrefu kwa wenyehisa.

Utekelezaji mahususi wa mkakati wa Kampuni ukishirikiana na kuimarika kwa soko la hisa umerekebisha matokeo mabaya ya 2011. Kampuni ilipata faida kabla ya ushuru ya Sh 2.8 bilioni mnamo 2012 kutoka hasara ya Sh 1.7 bilioni mwaka uliotangulia. Huduma muhimu za bima na usimamizi wa raslimali zilifanya vyema huku mapato yakiongezeka kwa asilimia 24 kutoka Sh 5.8 bilioni mnamo 2011 hadi Sh 7.2 bilioni mnamo 2012.

Biashara ya bima ilipata faida kabla ya ushuru ya Sh 1.5 bilioni na hivyo kuwakilisha nyongeza ya asilimia 33.6 katika 2011.
Hii ilijumuisha faida ya biashara ya bima ya maisha ya Sh 848milioni na faida ya biashara ya bima ya jumla ya Sh 608 milioni dhidi ya Sh 605 milioni na Sh 484 milioni katika 2011 mtawalia. Hata hivyo faida ya kuwekea bima ya jumla ilipungua kwa asilimia 10 kutoka Sh 377 milioni mnamo 2011 hadi Sh 339 milioni. Kupungua kwa faida ya kuwekea bima kunatokana na matokeo ya biashara Uganda na Sudan Kusini ambazo bado ni changa lakini zinatarajiwa kuchangia pakubwa kwa faida ya kuwekea bima kuanzia 2013 na kuendelea.

Kampuni ya usimamizi wa raslimali, British-American Asset Managers Limited, ilipata faida kabla ya ushuru ya Sh 115.9 milioni ikilinganishwa na Sh 43.9 milioni mnamo 2011 na hivyo ukuaji wa asilimia 163.8. Matokeo haya mazuri yalitokana hasa na

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nyongeza ya asilimia 57.5 ya mapato kutokana na Assets Under Management (AUM) ambayo ilipanda hadi Sh 28.1 bilioni kutoka Shs 20.4 bilioni mnamo 2011, nyongeza ya asilimia 37.7, mapato kutokana na huduma mpya na kupungua kwa gharama za kuendesha biashara.

Matokeo bora ya biashara kuu katika Kampuni yaliongezewa na matokeo mazuri katika kitengo cha uwekezaji ambacho kilizalisha mapato ya Sh 5 bilioni ikilinganishwa na hasara ya Sh 2.1 bilioni mnamo 2011, huku mapato kabla ya faida yoyote kutokana na raslimali za kifedha ikifikia Sh 2.0 bilioni dhidi ya Sh 808 milioni mnamo 2011.

Hali ya kifedha ya Kampuni ni imara huku jumla ya raslimali za Kampuni na hazina za wenyehisa zikifika Sh 35.8 bilioni na Sh 12.5 bilioni mtawalia ikilinganishwa na Sh 25.6 bilioni na Sh 8.5 bilioni 2011.

Kama ishara ya matokeo hayo mazuri, mgao wa faida unaopendekezwa wa Sh 473 ni nyongeza ya asilimia 66.7 kutoka Sh 284 milioni uliolipwa 2011.

MKAKATI WA CHAPA YETU

Tunaendelea kudumisha “Mkakati wa Kampuni Moja, Chapa Moja” katika shirika hili. Kujumuishwa kwa chapa hii kunanuia kuhakikisha kampuni tanzu za shirika hili zinashirikiana kwa njia sawa na wanunuzi na wateja wetu, sio tu kupitia kwa bidhaa zetu na usambazaji wa pamoja, lakini pia kile tunachochukulia kama mojawapo ya bidhaa zetu muhimu na siri ya ufanisi wetu mkuu: Chapa yetu.
Ushirikiano wa wahudumu wetu wa mauzo na mtandao wa matawi yetu umetuwezesha kusambaza huduma zetu, kutoa huduma bora kwa wateja wengi, na chapa ya kuheshimika. Katika 2012, mpango huu uliimarishwa tulipoanzisha kampeni iliyofanikiwa ya “I am Britam.”

Uzinduzi wa chapa ya Britam umetuwezesha kusawazisha biashara zetu chini ya falsafa ya ‘kampuni moja, chapa moja,’ yenye maono sawa yenye lengo la kuwezesha biashara kuwasiliana kwa lugha moja na kutambuliwa chini ya nembo moja kuu. Kubadilishwa kwa kitambulisho cha chapa yetu pia kulikuwa na ishara maalumu ya kubadilika kwa biashara ya Kampuni ambayo sasa inatoa huduma mbalimbali za kifedha na hasa katika sekta za bima, usimamizi wa raslimali, hisa za kibinafsi, nyumba na huduma za benki katika eneo hili.

MKAKATI WETU WA TEKNOLOJIA YA MAWASILIANO

Ili kuafikia utendakazi bora, Bodi imeidhinisha Mkakati mpya wa ICT. Tumeanzisha safari kuu ya kubadilisha Teknolojia ya Mawasiliano katika shirika zima sambamba na mkakati wetu wa 2012 hadi 2016. Mkakati huo unatambua wajibu muhimu unaotekelezwa na ICT katika kusaidia ukuaji wa biashara na utoaji huduma bora zaidi kwa wateja wetu na washikadau wetu. Lengo kuu 2012 lilikuwa kuweka msingi kwa safari ya mabadiliko katika IT ambayo azima yake ni kuwezesha Britam kuwa shirika linatotumia teknolojia ya kisasa kufikia 2016.
Ufanisi ulioafikiwa 2012 ni pamoja na kuajiri kundi jipya la wahudumu wa IT, kununua vifaa vya kisasa na thabiti vya IT, kuanza kutumia kituo kipya cha kisasa Tier IV Data Centre, matumizi ya IT itumiayo mfumo wa utoaji huduma na usimamizi wa ITIL, na utekelezaji wa mpango kuhakikisha usalama bora wa mfumo wa usimamizi wa IT.

Katika 2013, tutaendelea na safari ya mabadiliko kama inavyoelekezwa na ruwaza ya utekelezaji wa mkakati wa IT kwa kuanza utekelezaji wa mifumo inayotumika katika biashara.

Mpango wa mabadiliko wa Biashara unaosaidiwa na IT unatarajiwa kuendelea kwa miaka mitatu ijayo na Bodi na wasimamizi wameweka mipango inayostahili ya kusimamia mradi na kukabiliana na hatari zozote ili kuhakikisha ufanisi wa malengo ya mpango huo. Utakapokamilika, inakisiwa kuwa, tutakuwa na uwezo wa kumfahamu mteja vyema zaidi na kuwa na njia bora za utoaji huduma zinazoongozwa na teknolojia, kutofautisha bidhaa na huduma na taratibu za kupunguza gharama za kibiashara.

MUUNDO WA UTENDAKAZI NA HUDUMA ZA USHIRIKIANO

Kampuni inapokua, ushirikiano na kuimarisha utendakazi katika idara zote za biashara ni muhimu katika kuwepo kwa faida ya kutegemewa. Katika mwaka uliomalizika, uchunguzi kamili wa muundo na mpangilio wa sasa wa kampuni ulifanywa. Matokeo muhimu ya uchunguzi huu ni pendekezo la kuanzisha na utekelezaji wa muundo wa Target Operating Model (TOM) ambao viungo vyake vikuu ni kubuniwa kwa Shared Services Centre (SSC), na kuwa na muundo wenye afisi ya kupokea wateja ili kuimarisha uwezo wa Kampuni kunufaika na ushirikiano katika shughuli za uzalishaji na usambazaji.
Kufuatia hali hii, tulifungua afisi za matawi mapya katika Machakos, Bungoma, Kitengela, Murang'a, Nyahururu, Kakamega, Kericho na Naivasha mwaka uliopita. Tunapanga kufungua matawi mengine 4 mapya katika miji michache 2012. Kubuniwa kwa muundo wa Shared Services Centre (SSC), kunalenga kuimarisha utendakazi kupitia kutambua kanuni za kawaida za utendakazi na kuzisambaza katika kampuni nzima.

KUKABILIANA NA HATARI ZA KIBIASHARA

Kufanya biashara, kimsingi, uhusisha mashaka tele na kwa kuamua kuchukua hatua zilizo na hatari chache, tunalenga kuwa kampuni itakayodumu kwa muda mrefu. Udhibiti wa mashaka ya kibiashara ni suala la mkakati na kiungo muhimu katika maongozi ya kampuni yetu. Bodi ya Wakurugenzi inahusika na usimamizi wa hatari zinazohusiana na shughuli zetu, na kundi la wasimamizi linahusika na kuweka mifumo ifaayo ya kudhibiti na kukabiliana na hatari hizo.
Uchunguzi huru wa namna ya kushughulikia hatari katika Kampuni nzima, uliohusisha wataalamu kutoka nje ulifanywa mnamo 2010-2011 na tumeanzisha harakati mbalimbali kuimarisha usimamizi wetu, kushughulikia hatari na taratatibu za vidhibiti vya ndani ikiwemo utekelezaji wa Enterprise Risk Management Framework (ERMF). Mfumo wa Britam wa ERMF umeanzishwa huku ukizingatia mbinu bora zaidi za kukabiliana na hatari nchini na kimataifa, mahitaji ya Mamlaka ya Soko la Mtaji, Mamlaka ya Kusimamia Sekta ya Bima (IRA) na viwango vya ubora vya usimamizi wa hatari ISO 31000:2009.

Kupitia kwa mfumo wetu wa kushughulikia hatari, tunataka kutoa hakikisho lifaalo kwamba malengo yetu ya kibiashara yanaweza kufikiwa na matarajio ya wateja kwetu, wenyehisa, wafanyikazi na jamii yanatoshelezwa. Bodi ya Wakurugenzi na Wasimamizi wa Kampuni wanajitolea kubadilisha namna mashaka ya kibiashara yanashughulikiwa na tunaamini kuwa hatua zinazochukuliwa kwa sasa na zile zinazopangwa katika kipindi cha sasa cha kupanga mkakati zitawezesha Kampuni kufikia viwango vya juu na upanuzi wa mpango wake wa kukabiliana na hatari za kibiasahra.

USTAWI WA RASLIMALI

Tumekumbatia ustawi wa raslimali na uwekezaji kama mkakati muhimu unaolenga kuongeza thamani kwa wenyehisa pamoja na kupanua uwekezaji wetu. Tunaamini kuwa, raslimali hutoa nafasi nzuri ya uwekezaji. Tunaamini pia kuwa, tunaweza kutekeleza wajibu muhimu katika ustawi wa miundomsingi na kuchangia katika ujenzi wa makazi katika maeneo ya miji katika kanda hii. Tuna bahati kwamba ustawi wa raslimali na mapato husika unaambatana vyema na vigezo vyetu vya uwekezaji na mkakati wetu kama shirika. Kihistoria, Britam imejihusisha na ujenzi wa makazi ya kibinafsi na kibiashara ya kukodisha na uuzaji wa moja kwa moja.
Huku tukifuatilia ufanisi wa awali wa ustawi raslimali, tumeanzisha mkakati wetu, uwekezaji kwa kiwango kikubwa katika ardhi na ujenzi mkubwa, yakiwemo majengo ya afisi na makazi, nchini Kenya na katika eneo zima la Afrika Mashariki.

Mkakati wa miaka mitano wa ujenzi wa nyumba umebuniwa na ndio unaongoza harakati zetu zote za uwekezaji katika ujenzi. Sambamba na mkakati huu, tumeanzisha ujenzi wa jumba la kifahari katika Upper Hill, Nairobi, linalowalenga wateja wa haiba

Taarifa ya Mkurugenzi Mkuu

kubwa. Kundi la wachoraji ramani na muundo linajumuisha wataalamu kutoka Afrika Kusini, Uingereza na Kenya chini ya uongozi wa moiawapo ya kampuni zinazoongoza katika usimamizi wa miradi Afrika.

Mipango imo njiani kuanzisha katikati ya mwaka, ustawishaji wa ardhi yetu yenye thamani kubwa katika eneo la Kilimani, Nairobi huku tukiendelea kutafuta nafasi zaidi za uwekezaji katika Juba, Sudan Kusini na Kampala, Uganda. Tutaendelea kununua ardhi ya akiba na sasa tutalenga Kaunti chini ya mfumo wa ugatuzi. Tumepiga hatua kubwa katika kubuni na kuanzisha Hazina yetu ya Ustawi wa Raslimali.

UPANUZI KATIKA KANDA HII

Azima yetu ni kuwa kampuni kubwa zaidi ya bima na shirika la kusimamia raslimali katika kanda ya Afrika Mashariki. Na hivyo, mpango wetu wa upanuzi katika eneo hili ungali unaendelea. 2012 ulikuwa mwaka wa pili wa Britam kuhudumu Uganda na ingawa Kampuni bado haijaanza kupata faida, inaendelea kupiga hatua kubwa na inatarajiwa kuanza kupata faida 2013.

Britam Insurance Company Limited South Sudan ilianza operesheni zake 2012 na ishara kufikia sasa zinaonyesha kuwa kuna matumaini ya kufanya vyema.

Na mwisho, Bodi imeidhinisha kuanzishwa kwa biashara ya bima Rwanda. Utoaji leseni kwa kampuni ya Britam Insurance Company Rwanda inatafutwa kwa lengo la kuanzisha huduma katikati ya 2013. Tuna matumaini kuwa hivi karibuni, na sambamba na mkakati wetu, Britam itahudumu katika mataifa yote ya Jumuiya ya Afrika Mashariki.

WAFANYIKAZI NA KUFUATILIA UTENDAKAZI

Britam inaendelea kuongozwa na utendakazi na matokeo bora huku lengo letu likiwa kuwa na wafanyikazi walio na msukumo na waliojitolea na kufahamu malengo ya kampuni na ya kibinafsi. Mbinu ya Balanced ScoreCard inatumika kukadiria utendakazi wa wafanyikazi katika Kampuni.

Katika kuhakikisha utendakazi wa hali ya juu, kampuni imeshiriki katika kipindi cha miaka mitatu iliyopita kwenye shindano la Organization Performance Index (OPI) ambayo ni mizani inayotumika kuchunguza masuala ya usimamizi kwa kutumia vipimo aina tofauti. Mpango huu unadhaminiwa na Kenya Institute of Management (KIM) na mnamo 2012, Britam ilituzwa na kutambuliwa kama kampuni ya Pili Bora zaidi kwa tuzo la Kampuni Bora ya Mwaka. Tulifurahishwa zaidi kutokana na utambuzi huu, kwa kuwa ni thibitisho kuwa taratibu zetu zinakaribia viwango vya kimataifa.

Tunaendelea kuwekeza katika wafanyikazi wetu kupitia mafunzo ya uongozi, kiufundi na vipawa maalumu na maendeleo ili kuwezesha wafanyikazi kuwa na ujuzi unaohitajika. Mipango yetu ya mafunzo na maendeleo inaambatana na tathamini yetu ya ukuaji unaoendelea. Tunachunguza uwezo wa wafanyikazi ili kuwapa fursa ya kujiendeleza kwa mujibu wa vipawa na taaluma zao ili kuwa na watu waliostahili kutekeleza majukumu yafaayo. Katika mwaka uliomalizika, maafisa kadha wa usimamizi walihudhuria mafunzo ya uongozi Kenya, Afrika Kusini, Dubai na Mauritius.

Huwa tunafanya uchunguzi wa mara kwa mara wa mishahara kuhakikisha malipo yetu yanaambatana na viwango vyetu na vile vile katika taasisi zingine. Uchunguzi wa kupima iwapo wafanyikazi wetu wameridhishwa umetusaidia kuanzisha mipango inayodumisha hali yetu ya utendakazi.

Wafanyikazi wetu sasa ni 408 na zaidi ya washauri wa kifedha 1,300.

HALI YA BAADAYE

Ingawa uchumi wa dunia unatarajiwa kuimarika 2013 huku misukosuko iliyolemaza shughuli za kiuchumi ikipungua kwa mujibu wa IMf, ukuaji wa uchumi unatarajiwa kuwa wa taratibu. Ukadiriaji zaidi waonyesha kuwa eneo la Afrika Mashariki huenda likadumisha kiwango chake cha mwongo mmoja pamoja na mataifa mengine ya Afrika, huku ukuaji huu wa kiuchumi ukitarajiwa kuendelea hata zaidi 2013 huku chumi zingine zikinufaika na kupatikana kwa utajiri wa mali asili, kuimarika kwa mahitaji kutokana na kuongezeka kwa idadi ya watu wenye mapato ya kadiri, kuongezeka katika upanuzi wa miundomsingi, uwekezaji mkubwa kutoka mataifa ya kigeni na mapato kutoka raia wa mataifa Afrika wanaoishi ugenini. Mtazamo huu wa kutia moyo unatiliwa nguvu na uchaguzi wa amani wa hivi majuzi nchini Kenya. Tunaamini kuwa kupitia utekelezaji wa mikakati yetu mikuu, Britam itanufaika kutokana na ukuaji wa jumla ya mapato (GDP) katika chumi za kanda hii.

SHUKRANI

Matokeo bora ya kibiashara mwaka uliomalizika yanatokana na ushirikiano tunaoendelea kupata kutoka kwa wateja wetu wapendwa na washirika wa kibiashara. Tunawashukuru wote kwa ushirikiano huu na kutumaini kufanya kazi pamoja ili kuwawezesha kufikia na kuzidisha malengo yao ya kifedha na pia uwekezaji.

Ningependa kuwashukuru Wasimamizi, Wafanyikazi na Washauri wa Kifedha kwa kujitolea kwao kwa biashara mwaka uliomalizika. Juhudi hizo zimehakikisha Britam inanawiri kwa manufaa ya washirika wetu wote.

Benson I. Wairegi
Afisa Mkuu Mtendaji
Machi 13, 2013

Board of Directors

Left - Right

Bocar E. Dia | Agnes N. Odhiambo | J. Nicholas Ashford-Hodges | Nduva Muli

Peter K. Munga | Jimnah M. Mbaru | Benson I. Wairegi | James N. Mwangi | Saleem R. Beebeejaun

Statement of Corporate Governance

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 Company, 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 eight non-executive Directors each of whom brings a wide range of skills and experience, independent judgement and a considerable knowledge to the board's discussion.

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.

J. Nicholas Ashford-Hodges (Non-Executive Chairman)

Mr. Ashford-Hodges, who was appointed a Director of the Board in 2002, is a Fellow of the Institute of Chartered Accountants in England and Wales and has an MA from Oxford University. As well as being President of British-American (UK) Limited, a representative office in the UK for the British-American group of companies, Mr. Ashford-Hodges is Chairman of British-American Investment Co. (Mtius) Limited and a Director of several other Boards and sub-committees of the British-American Group in Mauritius and Malta, where he is Deputy Chairman of Global-Capital p.l.c. which is listed on the Malta Stock Exchange.

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 a former Chairman of Kenyatta University Council and 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 African 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 a director of Housing Finance Company of Kenya Limited (HF).

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.

Saleem R. Beebeejaun (Non-Executive Director)

Mr. Beebeejaun is a former President & CEO of British American Investment Co. (Mtius) Limited. He retired from the company as of 31 December 2011. He has remained as a Director on several subsidiary boards of the British American Group. He is a former President of the Mauritius Insurers Association and a former board member of the Mauritius Employers' Federation. Mr. Beebeejaun has represented Malaysia in Mauritius as its Honorary Consul since 2008. Mr. Beebeejaun is a Fellow of the Chartered Institute of Insurance. He is a graduate of the Advanced Management Programme (Harvard Business School) and holder of a Licence – ès Sciences Economiques from the University of Montpellier.

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

Mr. Muli is the 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.

Statement of Corporate Governance

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 in the Government of Kenya and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She is also a member of the Association of Women Accountants of Kenya (AWAK). She is a former Secretary to the Constituencies Development Fund Board and a former Board Member of the Kenya Women Finance Trust affiliated to Women's World Bank.

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.

Nancy K. Kiruki

Mrs. Kiruki is the Company Secretary and holds a Bachelor of Laws degree (LLB) 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 and a Certified Public Secretary. She is also the Director; Legal and Human Resources. She joined the group in 2008.

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. Three 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.

Statement of Corporate Governance

Separation of role 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 & Strategy Committee, Risk & Compliance Committee, Compensation & Human Resources Committee, Nominations & Governance Committee, ICT Steering Committee , Property Committe and Procurement Comittee which have specific and detailed terms of reference as summarised 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 twice 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
- Dr. James N. Mwangi
- J. Nicholas Ashford-Hodges
- Jimnah M.Mbaru
- Benson I. Wairegi

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:

- Saleem R. Beebeejaun - Chairman
- Bocar E. Dia
- Nduva Muli

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 and Human Resources Committee are:

- J. Nicholas Ashford-Hodges - Chairman
- Peter K. Munga
- Bocar E. Dia
- Nduva Muli

Statement of Corporate Governance

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
- 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 establish 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 Review of Attendance

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

	Holding Company	Board sub committees							Total meetings held	Total attended	%age attendance
		Audit	Risk & Compliance	Investment & Strategy	Nominations & Governance	Property Committee	ICT Steering Committee	Compensation & HR			
Meetings held	4	3	3	3	1	7	3	3	27	N/A	N/A
J. Nicholas Ashford-Hodges	4	N/A	N/A	3	1	N/A	N/A	3	11	11	100%
Peter K. Munga	4	2	N/A	2	1	5	N/A	2	21	16	76%
Jimnah M. Mbaru	2	N/A	N/A	-	-	5	N/A	N/A	15	7	47%
Benson I. Wairegi	4	N/A	N/A	3	N/A	7	3	N/A	17	17	100%
Dr. James N. Mwangi	2	1	N/A	-	N/A	N/A	1	N/A	10	4	40%
Saleem R. Beebeejaun	3	3	2	-	N/A	N/A	N/A	N/A	9	7	78%
Bocar E. Dia	4	N/A	2	N/A	N/A	N/A	N/A	3	10	9	90%
Nduva Muli	4	3	3	N/A	N/A	7	3	N/A	20	20	100%
Agnes N. Odhiambo	3	2	N/A	N/A	N/A	N/A	N/A	N/A	6	5	83%

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).

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.

Statement of Corporate Governance

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.

Directors' Shareholding

No.	Names	Role	Shares	% Shareholding
1	J. Nicholas Ashford-Hodges	Chairman	-	-
2	Benson I. Wairegi	CEO	100,298,400	5.30
3	Jimnah M. Mbaru	Director	219,300,000	11.60
4	Peter K. Munga	Director	75,000,000	3.97
5	Dr. James N. Mwangi	Director	75,000,000	3.97
6	Saleem R. Beebeejaun (Alternate E.M. Swadeck Taher)	Director	-	-
7	Nduva Muli	Director	-	-
8	Bocar E. Dia	Director	-	-
9	Agnes N. Odhiambo	Director	-	-

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.

Investor Relations

i) 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.

ii) 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 16 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 2012.

Shareholder Volume Analysis

Volume	No. of Shares	% Shares Held	No. of Shareholders	% Shareholders
1 to 500	191,770	0.01	689	2.54
501 to 5,000	51,463,700	2.72	20,419	75.27
5,001 to 10,000	25,299,300	1.34	3,200	11.80
10,001 to 100,000	63,731,780	3.37	2,611	9.62
100,000 to 1,000,000	46,881,500	2.48	168	0.62
1,000,001 and above	1,703,883,800	90.08	42	0.15
Total	**1,891,451,850**	**100.00%**	**27,129**	**100.00**

Statement of Corporate Governance

Top Ten Shareholders

The major interests in the issued share capital as at 31 December, 2012 are disclosed in the table below:

Shareholder No.	Names	Shares	% Holding
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	11.60
4	Benson I. Wairegi	100,298,400	5.30
5	Filimbi Limited	90,000,000	4.76
6	Peter K. Munga	75,000,000	3.97
7	Dr. James N. Mwangi	75,000,000	3.97
8	Co-op Bank Custody A/C 4012	60,000,000	3.17
9	Equity Nominees Limited A/C 00101	39,999,900	2.11
10	Standard Chartered Nominees A/C 9389	26,553,100	1.40
	Total	**1,543,655,400**	**81.61**
	Others	347,796,450	18.39
	Total issued shares	**1,891,451,850**	**100.00**

Group Management Team

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

Paul K. Gacheru
Group Chief Accountant

Carol Misiko
Group Risk and Compliance Manager

Jacqueline Nyaguthii
Property Manager

Arthur M. Chege
Group IT Manager (Enterprise Support)

Business Units Management Team

Stephen O. Wandera
Regional Director, Insurance

Edwin H. Dande
Managing Director, Asset Management

John Githinji
GM/Principal Officer, Britam Insurance Company Ltd - South Sudan

David Kuria
CEO/Principal Officer, Britam Insurance Company (Uganda)


I AM INNOVATIVE
We believe in innovating unique
products and services that keep us marketable.

Corporate Social Responsibility

Introduction

Britam recognises the importance of its role in managing social, economic and environmental issues. Corporate Social Responsibility (CSR) is the principle way that Britam seeks to co-ordinate and manage practices to maximise positive social and economic contribution and minimise the environmental impacts of its business. Engagement with key clients, employees, community, environmental stakeholders, regulators, business partners, suppliers and our shareholders is central to Britam's approach to CSR.

Purpose

The Group has developed a CSR/sponsorship policy designed to guide decision-making for company staff who are approached by external parties seeking supplement revenue to support their activities.

We divide our CSR activities in four categories:

- **Market place** – how we work with our customers and suppliers
- **Workplace** – Where we work, how we recruit and how we work with our staff
- **Environment** – How we reduce our environmental impact
- **Community** – How we engage with the community

Objectives

The objective of the CSR initiatives is to:

- Increase brand visibility
- Give back to the community
- Manage brand reputation

CSR activities we undertook in the year 2012

Based on our CSR policy, we funded 19 organisations running different activities which well align to our CSR policy.

1. 2012 Barclays Kenya open Golf Championship – This is the top flight international golf tournament held yearly and attracts players worldwide. Last year our sponsorship was for Shs 1 million as a silver sponsor. This increased our brand visibility out there.

2. Kenyatta University Career Week – This is a forum where we focus our efforts to enhance partnership to boost the career development of the students. This helps our organisation recruit only the best in the market as the forum enables our HR personnel and sales team to interact with the students and provide more information about the company.

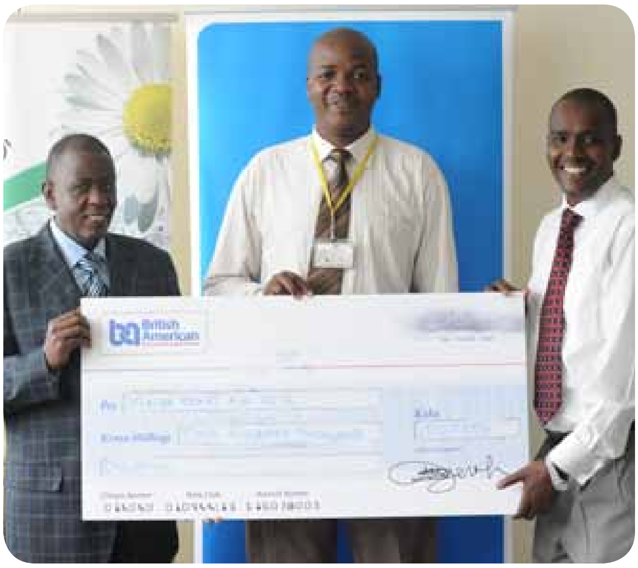
Barclays Kenya Open Golf Tournament Sponsorship

Corporate Social Responsibility

3. Kenya Association of Insurance Brokers - Annual Seminar – this is a seminar organised by the association to discuss various issues affecting the insurance business in the region. The theme for year 2012 was "Opportunities and challenges for the insurance market in the Emerging Regional Dynamics." Our sponsorship was under the Gold Partner Category of Shs 0.5 million.

4. Mater Heart Run and Heart to Heart Foundation Walk – these are held annually to support the Mater Hospital and The Karen Hospital respectively in their quest for helping children who have a heart problem to undergo an operation. We had participants from the company joining in for the race. Our sponsorship for the Mater Heart Run was under the Silver category of Shs 100,000, whereas for the Heart to Heart Foundation walk, we had one team category with a sponsorship of Shs 50,000.

5. Standard Chartered Nairobi Marathon – this is a charitable walk to raise funds for children with eye problems to undergo an operation. Our sponsorship was to the tune of Shs 100,000 and had 20 employees who participate in the walk.



Mater Heart Run Donation

6. New life trust foundation – this was in support of the abandoned babies mostly those infected or affected by HIV/ AIDS and later release them to adoptive parents. The home has 4 rescue homes across Kenya with more than 150babies. The donation was towards the major projects which included Borehole and tank construction, purchase of generator and solar heating panels. Our sponsorship was Shs 200,000.

Britam Team at the Standard Chartered Nairobi Marathon

We supported other projects which included Project Mrembo –an initiative of President's Award Kenya, Association of Kenya Insurers medical camp in Kajiado, Langata Gold day – an initiative of the Rotary club of Langata, Rhino Charge 2012 – support to one team (Bundfundi), African international Business and Management Conference (AIBUMA 2012) – an initiative of the University of Nairobi, Research and innovation for sustainable development – an initiative of Kabarak University, Nakuru, among others.

The gross annual amount spent on the sponsored CSR projects was in excess of Shs 3 Million.

Kiong'ong'o Prison Computer Donations For Inmates

I AM GROWTH

Our Journey continues in a new day and new light and we still have a collective vision and mission that is reflective of our renewed focus and ambitions.

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 2,519,461,000 (2011: loss of Shs 1,957,305,000) has been added to the retained earnings.

The directors recommend the payment of a dividend of Shs 473 million (2011: Shs 284 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 - Chairman
Benson I. Wairegi
Jimnah M. Mbaru
Peter K. Munga
Saleem R. Beebeejaun (Alternate: E. M. Swadeck Taher)
Dr. James N. Mwangi
Bocar E. Dia
Nduva Muli
Agnes N. Odhiambo

AUDITOR

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

Nancy Kiruki
SECRETARY
13 March 2013

Statement of Directors' Responsibility

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the 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 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its subsidiaries and of its profit or loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Chairman **Director**

13 March 2013

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 2012.

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 2012.

P C Falconer
Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries
Aon Hewitt Actuarial
13 March 2013


I AM FREE
We strive to offer our clients effective solutions
leaving them free to concentrate on their core business.

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 64 to 125. These financial statements comprise the consolidated statement of financial position at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2012 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 2012 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 of the Independent Auditor to the Members of British-American Investments Company (Kenya) Limited

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm 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 Company, so far as appears from our examination of those books; and
- the Company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.

PricewaterhouseCoopers

Certified Public Accountants, Nairobi
13 March 2013

2012 FINANCIAL STATEMENTS

I AM VALUE

Consolidated Income Statement

	Notes	Year ended 31 December 2012 Shs'000	2011 Shs'000
Revenue			
Gross earned premiums	6	6,849,692	5,607,621
Less: reinsurance premium ceded		(893,001)	(670,914)
Net earned premium		5,956,691	4,936,707
Fund management fees	6	377,208	238,315
Investment income	7(i)	1,971,016	1,296,171
Net realised gains/(losses) on financial assets	7(ii)	45,554	(83,306)
Net fair value gains/(losses) on financial assets at fair value through profit and loss	7(iii)	3,032,092	(3,306,063)
Commissions earned		307,639	237,900
Other income	8	53,184	62,960
Total Revenue		**11,743,384**	**3,382,684**
Expenses			
Insurance claims and loss adjustment expenses		4,282,914	2,311,879
Less: amount recoverable from reinsurers		(1,803,019)	(146,897)
Change in actuarial value of policyholder benefits		1,189,436	834,034
Net insurance benefits and claims	9(i)	3,669,331	2,999,016
Interest payments/increase (decrease) in unit value	9(ii)	1,608,828	(765,689)
Operating and other expenses	10	2,286,578	1,760,544
Commissions payable		1,476,086	1,192,335
Total Expenses		**9,040,823**	**5,186,206**
Profit/(loss) before share of the associate		2,702,561	(1,803,522)
Share of profit of the associate	19	146,845	79,436
Profit/(loss) before tax		**2,849,406**	**(1,724,086)**
Income tax expense	12	(329,945)	(233,219)
Profit/(loss) for the year (of which profit of Shs 1,482,834,000 (2011: Loss of Shs 1,239,471,000) has been dealt with in the accounts of the company)		**2,519,461**	**(1,957,305)**
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted (Shs per share)	15	1.40	(1.09)

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2012 Shs'000	2011 Shs'000
Profit/(loss) for the year		**2,519,461**	**(1,957,305)**
Other comprehensive income items net of tax:			
Gains on revaluation of land and buildings	17	147,967	24,915
Gains/(losses) on revaluation of available-for-sale financial assets	22(i)	1,527,995	(2,245,832)
Currency translation losses		(10,689)	(8,159)
Total other comprehensive income/(loss)		**1,665,273**	**(2,229,076)**
Total comprehensive income/(loss) for the year		**4,184,734**	**(4,186,381)**

Consolidated Statement of Financial Position

	Notes	As at 31 December 2012 Shs'000	2011 Shs'000
CAPITAL EMPLOYED			
Share capital	13	189,145	189,145
Share premium	13	3,164,455	3,164,455
Other reserves	14	5,745,519	3,531,204
Retained earnings		2,900,342	1,388,926
Proposed dividends	16	472,863	283,718
Shareholders' funds		**12,472,324**	**8,557,448**
REPRESENTED BY:			
Assets			
Property and equipment	17	948,236	653,360
Intangible assets	18	113,817	114,830
Investment in associate	19	1,459,826	1,360,608
Investment property	21	1,706,057	1,405,294
Available for sale quoted investments	22(i)	4,937,397	3,409,402
Financial assets at fair value through profit or loss:			
- quoted ordinary shares	22(ii)	6,084,289	4,281,483
- unquoted ordinary shares	23	54,009	50,490
- unit trusts	24	6,064,687	4,378,902
- Corporate bonds	25(i)	28,253	-
- government securities	26(i)	176,562	216,334
Corporate bond held to maturity	25(ii)	508,358	283,329
Government securities held to maturity	26(ii)	6,685,780	4,374,453
Mortgage loans	27	812,022	678,897
Loans to policy holders	28	309,455	247,304
Receivables arising out of reinsurance arrangements		48,912	-
Receivables arising out of direct insurance arrangements		540,599	287,756
Reinsurers' share of insurance liabilities	29	2,396,262	584,552
Deferred acquisition costs	30	131,274	97,049
Deferred income tax	31	4,198	3,982
Tax recoverable		32,240	-
Receivables from related parties	32	5,075	9,106
Other receivables	33	381,130	312,798
Deposits with financial institutions	34	1,975,913	2,463,976
Cash and bank balances	34	415,814	425,339
Total assets		**35,820,165**	**25,639,244**
Liabilities			
Insurance contract liabilities	36	10,467,211	7,370,421
Amount payable under deposit administration contracts	41	5,787,072	4,039,062
Liabilities under investment contracts	42	4,845,527	3,173,191
Unearned premium	43	1,292,195	982,778
Creditors arising from reinsurance arrangements		183,861	119,755
Retirement benefit liability	45	14,080	50,076
Bank loan	46	-	784,577
Other payables	48	636,282	546,610
Overdraft	34	46,810	1,154
Current income tax payable		74,803	14,172
Total liabilities		**23,347,841**	**17,081,796**
Net assets		**12,472,324**	**8,557,448**

The financial statements on pages 64 to 125 were approved for issue by the board of directors on 13 March 2013 and signed on its behalf by:

Chairman ____________________ Director ____________________

Company Statement of Financial Position

	Notes	2012 Shs'000	2011 Shs'000
		As at 31 December	
CAPITAL EMPLOYED			
Share capital	13	189,145	189,145
Share premium	13	3,164,455	3,164,455
Other reserves	14	335,122	(144,290)
Retained earnings		2,817,317	1,807,346
Proposed dividend	16	472,863	283,718
Shareholders' funds		**6,978,902**	**5,300,374**
REPRESENTED BY:			
Assets			
Property and equipment	17	9,041	5,625
Intangible assets	18	3,356	3,388
Investment in subsidiary companies	20	1,050,000	760,000
Available for sale quoted investments	22(i)	1,549,122	1,069,710
Financial assets at fair value through profit or loss			
– Quoted ordinary shares	22(ii)	3,344,775	2,685,559
– Unit trusts	24	175,709	512,458
– Corporate bond	25(i)	28,253	-
Receivables from related parties	32	11,702	4,671
Other receivables	33	75,685	76,386
Deposit with financial institutions		1,395,236	1,159,389
Cash and bank balances		6,101	4,806
Total assets		**7,648,980**	**6,281,992**
Liabilities			
Amounts due to related parties	32	649,022	167,390
Bank loan	46	-	784,577
Other payables	48	21,056	29,651
Total liabilities		**670,078**	**981,618**
Net assets		**6,978,902**	**5,300,374**

The financial statements on pages 64 to 125 were approved for issue by the board of directors on 13 March 2013 and signed on its behalf by:

Chairman ______________________ Director ______________________

Consolidated Statement of Changes in Equity

	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
Year ended 31 December 2012							
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 available-for-sale financial assets		-	-	1,527,995	-	-	1,527,995
Total other comprehensive income		**-**	**-**	**1,665,273**	**-**	**-**	**1,665,273**
Total comprehensive income for the year		**-**	**-**	**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**

Consolidated Statement of Changes in Equity (Continued)

	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
Year ended 31 December 2011							
At start of year		150,000	-	6,127,936	4,092,044	200,000	10,569,980
Comprehensive income							
Loss for the year		-	-	-	(1,957,305)	-	(1,957,305)
Other comprehensive income:							
Gains on revaluation of land and buildings	17	-	-	24,915	-	-	24,915
Currency translation losses		-	-	(8,159)	-	-	(8,159)
Fair value losses on available-for- sale financial assets		-	-	(2,245,832)	-	-	(2,245,832)
Total other comprehensive income		**-**	**-**	**(2,229,076)**	**-**	**-**	**(2,229,076)**
Total comprehensive income for the year		**-**	**-**	**(2,229,076)**	**(1,957,305)**	**-**	**(4,186,381)**
Transfer to other reserves	14	-	-	462,096	(462,096)	-	-
Transactions with owners							
Proceeds from shares issued	13	39,145	3,164,455	-	-	-	3,203,600
Purchase of Treasury shares	14	-	-	(829,752)	-	-	(829,752)
Dividends:							
- Final for 2010 paid		-	-	-	-	(200,000)	(200,000)
- Proposed final for 2011	16	-	-	-	(283,718)	283,718	-
Total transactions with owners		**39,145**	**3,164,455**	**(829,752)**	**(283,718)**	**83,718**	**2,173,848**
At end of year		**189,145**	**3,164,455**	**3,531,204**	**1,388,926**	**283,718**	**8,557,448**

Company Statement of Changes in Equity

	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
Year ended 31 December 2012							
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 available-for-sale financial assets		-	-	479,412	-	-	479,412
Total comprehensive income for the year		**-**	**-**	**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 revenue		**-**	**-**	**-**	**(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 2011							
At start of year		150,000	-	-	3,330,535	200,000	3,680,535
Comprehensive loss							
Loss for the year		-	-	-	(1,239,471)	-	(1,239,471)
Fair value loss on available for-sale financial assets		-	-	(144,290)	-	-	(144,290)
Total comprehensive loss for the year		**-**	**-**	**(144,290)**	**(1,239,471)**	**-**	**(1,383,761)**
Transactions with owners							
Proceeds from shares issued		39,145	3,164,455	-	-	-	3,203,600
Dividends:							
- Final for 2010 paid		-	-	-	-	(200,000)	(200,000)
- Proposed final for 2011	16	-	-	-	(283,718)	283,718	-
Total transactions with owners owners		**39,145**	**3,164,455**	**-**	**(283,718)**	**83,718**	**3,003,600**
At end of year		**189,145**	**3,164,455**	**(144,290)**	**1,807,346**	**283,718**	**5,300,374**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2012 Shs'000	2011 Shs'000
Operating activities			
Cash generated from operations	35	2,485,976	2,442,627
Income tax paid		(227,486)	(217,312)
Net cash generated from operating activities		**2,258,490**	**2,225,315**
Investing activities			
Purchase of treasury shares	13	-	(829,752)
Purchase of property and equipment	17	(224,209)	(110,573)
Purchase of intangible assets	18	(21,538)	(41,543)
Investment in associate	19	(20,000)	(516,795)
Purchase of investment property	21	(120,631)	(16,870)
Sale of investment property	21	-	717
Proceeds from disposal of available for sale quoted shares	22(i)	-	324,456
Purchase of quoted shares at fair value through profit or loss	22(ii)	(59,260)	(32,235)
Proceeds from disposal of quoted shares at fair value through profit and loss statement	22(ii)	110,195	251,627
Purchase of unquoted shares	23	(3,519)	-
Net investment in unit trusts	24	(530,679)	(1,102,466)
Purchase of corporate bond held for trading	25(i)	(28,253)	-
Net investment in corporate bond held to maturity	25(ii)	(225,029)	22,388
Net investment in government securities at fair value through profit or loss	26(i)	63,017	92,981
Net investment in government securities held to maturity	26(ii)	(2,311,327)	(2,265,239)
Mortgage loans advanced	27	(260,996)	(243,737)
Mortgage loans repayments	27	127,871	141,304
Policy loans advanced	28	(221,471)	(202,259)
Policy loans repayments	28	159,320	258,373
Dividend received		463,268	416,044
Rent and interest received		1,521,412	334,439
Net cash used in investing activities		**(1,581,829)**	**(3,519,140)**
Cash flows from financing activities			
Dividends paid		(269,858)	(200,000)
Loan received	46	-	29,000
Loan repayment	46	(950,047)	(87,535)
Proceeds from sale of the company's shares via Initial public Offer		-	3,526,403
Net cash generated from /(used in) financing activities		**(1,219,905)**	**3,267,868**
Net increase in cash and cash equivalents		**(543,244)**	**1,974,043**
At start of year		2,888,161	914,118
At end of year	34	**2,344,917**	**2,888,161**

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 and investment businesses in Kenya, Uganda and South Sudan.

The Group comprises five 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 and Britam Insurance Company Limited (South Sudan). The group's insurance business includes the underwriting of all classes of life and non-life insurance risks as defined by the 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 asset management 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.

2 Summary of significant accounting policies

The principle 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, available-for-sale financial assets and derivative instruments at fair value through profit or loss. 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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Group and the Company.

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 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company and the Group, except the following set out below:

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 amendments do not address which items are presented in OCI.

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 or US GAAP.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Company and the Group will be 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). The directors are yet to assess the full impact of the amendments.

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 the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

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. The directors are yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The directors are yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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 and the Company.

(c) Consolidation

i) Subsidiaries

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

The Group uses the acquisition method of accounting 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 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value over any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this 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 unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 and Britam Insurance Company Limited (South Sudan) made up to 31 December 2012.

ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting.
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 as significant insurance risk, 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(e). 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 a 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

Means insurance business of any class or classes not being 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 reinsures 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(l)

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(l).

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 (Kshs) rounded to the nearest throusand, 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.

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 available-for-sale financial assets, are included 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 in head office. 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 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) 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.

(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 periodic, but at least triennial, 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, plant 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 carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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

Costs that are directly associated with identifiable and unique software products that will generate economic benefits beyond one year, are recognised as intangible assets. These assets are amortised using the straight-line method over a period of seven years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred

ii) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company'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 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 operating segment 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) 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.

(l) Financial Instruments

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

i) 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.

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 the financial reporting date (2011: Shs 8,927,209,000). The Company's assets in this Category at the end of the year were Shs 3,548,737,000 (2011: Shs 3,198,017,000).

ii) Loans, advances 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.

The Group's receivables out of direct insurance and reinsurance arrangements, mortgage loans, loans to policy holders, deposits with financial institutions under the cash category, reinsurer's share of insurance liabilities, 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 at the reporting date (2011: Shs 4,584,390,000). The Company's assets in this category at the end of the year were Shs 1,482,623,000 (2011: Shs 1,240,446,000).

iii) 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. 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 the financial reporting date (2011: Shs 4,657,782,000). The Company had not assets in this category (2011: Nil)

iv) Available-for-sale

Available-for-sale investments are those non-derivative financial assets that are not classified under any of categories (i) to (iii) above.

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 the reporting date (2011: Shs 3,409,402,000). The Company assets in this category were Shs 1,549,122,000 at the reporting date (2011: Shs 1,069,710,000).

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.

Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. 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 of ownership.

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.

(m) Impairment of financial assets

i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a 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 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. Objective evidence that a financial asset or Group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the borrower;
b) a breach of contract, such as default or delinquency in interest or principal repayments;
c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between losses occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 6 and 12 months.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

ii) Assets carried at fair value

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are Grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a Group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

(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) Impairment of non-financial assets

Assets that have an indefinite useful life 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 to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the cash flow statement, 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.

Notes to the Financial Statements

(q) Employee benefits

The Group has established a contributory final salary defined benefit plan covering substantially all its employees, including agents. The plan is funded under a Trust, and the principal asset held by the Trustees is a deposit administration policy issued by the Group.

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 arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Effective January 1, 2006, the Group established a defined contribution section as a supplementary scheme to the existing plan. Existing members were given the irrevocable option of (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. The costs associated with the defined contribution section are separately identified and included in the staff costs.

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

(r) Current and deferred 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.

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.

(s) 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.

(t) 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.

(u) 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 note 40 for the carrying amounts of these liabilities and assumptions respectively)
- classification of financial assets. As disclosed in note 2(l)
- whether land and building meet criteria to be classified as investment property as disclosed in note 2(i)

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, 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

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 analysed by the maximum insured loss limit included in the terms of the policy (gross and net of reinsurance).

Year ended 31 December 2012

Class of business		Maximum insured loss			
		Shs 0m – Shs 15m Shs'000	Shs 15m-Shs 250m Shs'000	Shs 250m-Shs 1000m Shs'000	Total Shs'000
General Insurance business					
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**
	Net	**194,205,899**	**13,683,401**	**60,420**	**207,949,720**

Notes to the Financial Statements

Year ended 31 December 2011

Class of business		Maximum insured loss			
		Shs 0m –Shs 15m	Shs 15m-Shs 250m	Shs 250m-Shs 1000m	Total
		Shs'000	Shs'000	Shs'000	Shs'000
General Insurance business					
Motor	Gross	3,384,867	1,599,234	-	4,984,101
	Net	3,383,204	1,599,234	-	4,982,438
Fire	Gross	8,543,679	20,931,118	89,224,070	118,698,867
	Net	8,535,400	10,034,955	5,190,699	23,761,054
Personal accident	Gross	464,322	3,046,420	9,606,003	13,116,745
	Net	367,910	960,013	3,704,756	5,032,679
Other	Gross	7,825,961	75,648,110	20,420,217	103,894,288
	Net	6,016,755	40,610,477	6,767,403	53,394,635
Long term business					
Ordinary life	Gross	17,903,057	85,000	-	17,988,057
	Net	16,842,559	4,000	-	16,846,559
Group life	Gross	139,109,778	30,253,420	-	169,363,198
	Net	106,477,783	3,050,032	-	109,527,815
Total	**Gross**	**177,231,664**	**131,563,302**	**119,250,290**	**428,045,256**
	Net	**141,623,611**	**56,258,711**	**15,662,858**	**213,545,180**

A 10% change in the Group's claims experience would result in a Shs 201,127,000 change in the Company's profit for the year (2011 : Shs 130,114,000).

(b) Credit risk

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 activities;
- Reinsures' 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. All defaults were fully recovered.

Maximum exposure to credit risk before collateral held

GROUP	External credit rating/ credit quality grouping	2012	2011
		Shs'000	Shs'000
Government securities held for trading	B+	176,562	216,334
Government securities held to maturity	B+	6,685,780	4,374,453
Corporate bond held for trading	Group 2	28,253	-
Corporate bond held to maturity	Group 2	508,358	283,329
Unit trusts	Group 2	6,064,687	4,378,902
Mortgage loans	Group 2	812,022	678,897
Loans to policy holders	Group 2	309,455	247,304
Receivables arising out of reinsurance arrangements	Group 2	48,912	-
Receivables out of direct insurance arrangements	Group 2	540,599	287,756
Reinsurers' share of insurance contract liabilities	Group 2	2,396,262	584,552
Receivables from related parties	Group 2	5,075	9,106
Other receivables	Group 2	381,130	312,798
Deposits with financial institutions	Group 2	1,975,913	2,463,976
Bank balances	Group 2	415,814	425,339
		20,348,822	**14,262,746**

COMPANY	External credit rating/ credit quality grouping		
Unit trusts	Group 2	175,709	512,458
Receivables from related parties	Group 2	11,702	4,671
Other receivables	Group 2	75,685	76,386
Deposits with financial institutions	Group 2	1,395,236	1,159,389
Bank balances	Group 2	6,101	4,806
Corporate bond held for trading	Group 2	28,253	-
Total		**1,692,686**	**1,757,710**

Notes to the Financial Statements

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2012 and 2011, 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, 34% of the total maximum exposure is derived from government securities (2011: 32%). In the opinion of the directors there is no other significant concentration of the credit risk at year end.

Mortgage loans of Shs 812,022,000 (2011: Shs 678,897,000) 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 309,455,000 (2011: Shs 247,304,000) are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to Shs 2,236,638,000 (2011: Shs 2,032,941,500) while the surrender values of the policies with loans amounted to Shs 1,398,318,000 (2011: Shs 872,960,000).

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
- 98% (2011: 98%) of the mortgages portfolio are neither past due nor impaired
- 100% (2011:100%) of the mortgages portfolio are backed by collateral
- 80% (2011: 76%) 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:

	2012 Shs'000	2011 Shs'000
Receivables from direct insurance arrangements		
Counterparties without external credit ratingH		
- Group 2	540,599	287,756
Total	**540,599**	**287,756**
Receivables from reinsurance arrangements		
Counterparties without external credit rating		
- Group 2	48,912	-
Total	**48,912**	**-**

Financial assets that are past due or impaired

GROUP

Mortgage loans are summarised as follows:

	2012 Shs '000	2011 Shs '000
Neither past due nor impaired	795,786	665,089
Past due but not impaired	16,236	13,808
Impaired	25,073	25,073
Gross	**837,095**	**703,970**
Less: provision for impairment	(25,073)	(25,073)
Net	**812,022**	**678,897**
Movement in the provision account		
At 1 January	25,073	25,073
Increase	-	-
As 31 December	**25,073**	**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:

	2012 Shs '000	2011 Shs '000
Past due up to 30 days	2,965	2,215
Past due 31 – 60 days	2,908	1,990
Past due 61 – 180 days	10,363	9,603
Total	**16,236**	**13,808**

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 25,073,000 as at 31 December 2012 were secured by collateral of Shs 35,200,000 (2011: Shs 32,000,000)

As at 31 December 2012, there is no repossessed collateral and no renegotiated loans.

Notes to the Financial Statements

Premium debtors

Premium debtors are summarised as follows:

	2012 Shs '000	2011 Shs '000
Past due but not impaired	540,599	276,856
Impaired	(6,768)	(6,768)
Gross	547,367	283,624
Less: Provision for impairment	(6,768)	(6,768)
Net	**540,599**	**276,856**
Movements in the provision account :		
At 1 January	6,768	9,215
Increase	-	-
Write-offs	-	(2,447)
At 31 December	**6,768**	**6,768**

	2012	2011
Receivables from direct insurance arrangements		
Counterparties without external credit rating		
- Group 2	540,599	287,756
Total	**540,599**	**287,756**
Receivables from reinsurance arrangements		
Counterparties without external credit rating		
- Group 2	48,912	-
Total	**48,912**	**-**

Premium debtors that are past due but not impaired

Premium debtors less than 180 days past due are not considered impaired, unless other information is available to indicate the contrary. The amounts for debtors that were past due but not impaired were as follows:

	2012 Shs '000	2011 Shs '000
Past due 1 – 60 days	413,409	210,992
Past due 61 – 90 days	53,726	67,582
Past due 91 - 180 days	73,464	9,182
Total	**540,599**	**287,756**

These premium debtors are unsecured

Premium debtors individually impaired

Premium debtors 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 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.

GROUP

At 31 December 2012	0 – 4 Months	5-12 Months	1-5 years	Over 5 Years	Totals
Liabilities					
Insurance contract liabilities	984,928	958,753	3,679,711	4,843,819	10,467,211
Amounts payable under deposit administration contracts	292,990	878,970	1,464,950	3,150,161	5,787,071
Liabilities under investment contracts	-	-	387,642	4,457,884	4,845,526
Creditors arising out of reinsurance arrangements	176,602	7,259	-	-	183,861
Retirement benefit liability	-	14,080	-	-	14,080
Bank loan	-	-	-	-	-
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)	**1,797,213**	**2,199,459**	**5,532,303**	**12,451,864**	**21,980,839**

GROUP

At 31 December 2011	0 – 4 Months	5-12 Months	1-5 years	Over 5 Years	Totals
Liabilities					
Insurance contract liabilities	872,876	577,996	2,666,711	3,252,838	7,370,421
Amounts payable under deposit administration contracts	246,157	418,345	2,841	3,371,719	4,039,062
Liabilities under investment contracts	-	-	281,176	2,892,015	3,173,191
Creditors arising out of reinsurance Arrangements	119,755	-	-	-	119,755
Retirement benefit liability	-	50,076	-	-	50,076
Bank loan	-	-	784,577	-	784,577
Other payable	279,956	227,278	39,376	-	546,610
Overdraft	1,154	-	-	-	1,154
Total financial liabilities (at contractual maturity dates other than insurance contracts liabilities which are based on expected maturity) dates)	**1,519,898**	**1,273,695**	**3,774,681**	**9,516,572**	**16,084,846**

Notes to the Financial Statements

COMPANY

At 31 December 2012	**0 – 4 months**	**5-12 Months**	**1-5 years**	**Totals**
Company 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**

COMPANY

At 31 December 2011	**0 – 4 months**	**5-12 Months**	**1-5 years**	**Totals**
Company Liabilities				
Bank loan	-	-	784,577	784,577
Due to related parties	-	-	167,390	167,390
Other payables	-	29,651	-	29,651
Total financial liabilities (expected maturity dates)	**-**	**29,651**	**951,967**	**981,618**

d) Market risk

i) Price risk

The Group is exposed to equity securities price risk because of investments in quoted shares classified either as available-for-sale or at fair value through profit or loss. 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 2012, if the Nairobi Securities Exchange (NSE) Index had changed by 15% (2011: 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 686,492,182 (2011: Shs 719,807,158) higher/lower, and the equity would have been Shs 1,364,267,362 (2011: Shs 511,410,236) higher/lower. The Company's post tax profit for the year would have been Shs 351,201,421 (2011: Shs 402,833,957) higher/lower, and the Company's equity would have been Shs 734,084,646
(2011: Shs 160,456,447) higher/lower

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2012, the group held shares in Equity Bank Limited amounting to Shs 9,355,639,000 (2011: Shs 6,460,184,000) or 26% (2011: 25%) 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 2012, if interest rates 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 298,331 (2011: Shs 625,953) higher/lower. The Company did not have a material exposure to interest rate risk in 2012 and 2011.

iii) Foreign exchange risk

The Group has no 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.
- To have sufficient capital to enable the Group subsidiaries comply with the capital requirements set by the Insurance Act and the Capital Markets Act.

The Group's capital comprises share capital as disclosed on note 13 and the regulatory capital held in subsidiary comprises as disclosed below.

Capital adequacy and use of regulatory capital are monitored regularly by management. The capital requirement for insurance companies in Kenya was revised in 2007. Existing composite insurance companies are 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 2011 and 2012.

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

	2012		2011	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Shs'000	Shs'000	Shs'000	Shs '000
Capital at 31 December	450,000	480,000	450,000	480,000
Solvency margin	1,236,685	3,022,144	909,346	1,977,747

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.

Notes to the Financial Statements

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

	2012		2011	
	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	171,691	10,000	90,302
Working capital at 31 December	53,765	142,651	42,244	71,603

(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 2012 and 2011:

GROUP 2012	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total balance Shs'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities	5,912,996	-	54,009	5,967,005
- Government securities	-	176,562	-	176,562
- Unit trust	-	6,064,687	-	6,064,687
- Corporate Bond	-	28,253	-	28,253
Available-for-sale equity investments	5,108,690	-	-	5,108,690
Total assets	**11,021,686**	**6,269,502**	**54,009**	**17,345,197**

GROUP 2011	Level 1 Shs'000	Level 2 Shs'000	Level 3	Total balance Shs'000
Assets				
Financial assets at fair value through profit or loss				
- Equity securities	4,281,483	-	50,490	4,331,973
- Government securities	-	216,334	-	216,334
- Unit trust	-	4,378,902	-	4,378,902
Available-for-sale equity investments	3,409,402	-	-	3,409,402
Total assets	**7,690,885**	**4,595,236**	**50,490**	**12,336,611**

COMPANY 2012	Level 1 Shs'000	Level 2 Shs'000
Assets		
Financial assets at fair value through profit or loss		
- Quoted equity securities	3,344,775	-
- Unit trusts	175,709	-
- Corporate Bonds	-	28,253
Available-for-sale equity investments	1,549,122	-
Total assets	**5,069,606**	**28,253**

COMPANY 2011	Total Shs'000	Level 2 Shs'000
Assets		
Financial assets at fair value through profit or loss		
- Quoted equity securities	2,685,559	-
- Unit trusts	512,458	-
Available-for-sale equity investments	1,069,710	-
Total assets	**4,267,727**	**-**

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 as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, government bonds and investments in asset 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.

The fair value of financial instruments that are not traded in an active market (for example, unquoted equity investments and 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.

Note that all of the resulting fair value estimates are included in level 2.

The Group had level 3 financial instruments (unquoted stock) amounting to Shs 54,009,000 as at 31 December 2012 (2011: Shs 50,490,000).

Fair values of financial assets and liabilities

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 fair value of government securities held-to-maturity at 31 December 2012 is estimated at Shs 6,514,445,000 (2011: Shs 3,952,794,000) compared to their carrying value of Shs 6,685,780,000 (2011: Shs 4,374,453,000) while that of mortgage loans and policy loans are Shs 812,022,000 (2011: Shs 678,897,000 and Shs 309,455,000(2011: Shs 247,304,000) respectively.

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 repricing or maturity dates.

Fair value estimation

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 Council 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 four 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 strategic steering committee. These segments and their respective operations are as follows:

a) **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.

b) **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.

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

d) **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.

The segment information provided to the executive council for the reportable segments for the year ended 31 December 2012 is as follows:

The segment information provided to the executive council for the reportable segments for the year ended 31 December 2012 is as follows:

Notes to the Financial Statements

2012	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset management 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 p&l	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**

2011	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset management Shs'000	Corporate and other Shs'000	Total Shs'000
Gross revenue	3,479,471	2,128,150	238,315	-	5,845,936
Insurance premium ceded to reinsurers	(222,020)	(448,894)	-	-	(670,914)
Net insurance premium revenue	3,257,451	1,679,256	238,315	-	5,175,022
Investment Income	1,003,987	114,031	549	765,347	1,883,914
Net realised gains on financial assets	(74,394)	(8,912)	-	-	(83,306)
Net fair value gains on financial assets at fair value through p&l	(1,378,441)	(124,358)	3,164	(1,806,428)	(3,306,063)
Commissions earned	91,664	146,192	44	-	237,900
Other operating income	45,372	17,588	-	-	62,960
Net Income	**2,945,639**	**1,823,797**	**242,072**	**(1,041,081)**	**5,090,117**
Inter-segment revenue	(26,640)	(61,103)	-	(500,000)	(587,743)
Revenue from external customers	2,918,999	1,762,694	242,072	(1,541,081)	3,382,684
Insurance claims and loss adjustment expenses	1,403,444	908,435	-	-	2,311,879
Insurance claims recovered from reinsurers	(47,496)	(99,400)	-	-	(146,896)
Change in actuarial value of policyholders benefits	834,034	-	-	-	834,034
Net insurance benefits and claims	2,189,982	809,035	-	-	2,999,017
Investment contract benefits	(765,690)	-	-	-	(765,690)
Acquisition expenses	873,585	306,455	12,295	-	1,192,335
Expenses	1,017,981	331,770	174,660	236,133	1,760,544
Net expenses	**3,315,858**	**1,447,260**	**186,955**	**236,133**	**5,186,206**
Reportable segment profit	**(396,859)**	**315,434**	**55,117**	**(1,777,214)**	**(1,803,522)**
Share of profit of associates	70,698	8,738	-	-	79,436
Profit before tax	**(541,271)**	**423,155**	**55,115**	**(1,661,085)**	**(1,724,086)**
Depreciation and amortisation	51,964	18,538	8,488	1,444	80,434
Interest revenue	412,385	71,935	506	134,225	619,051
Interest expense	-	-	-	92,904	92,904
Income tax expense	52,500	159,895	14,289	6,535	233,219
Total assets	**16,731,354**	**3,282,427**	**132,317**	**5,493,146**	**25,639,244**
Total assets include:					
Investments in associates	1,211,301	149,307	-	-	1,360,608
Additions to non-current assets	4,249,130	616,425	10,587	1,725,226	6,601,368
Total liabilities	**14,049,473**	**2,214,223**	**27,798**	**790,302**	**17,081,796**

The revenue from external parties reported to the Executive Council is measured in a manner consistent with that in the income statement. No inter-segment transactions occurred during 2012 and 2011.

The Executive Council assesses the performance of the operating segments based on the profit before tax as detailed above.

Notes to the Financial Statements

The amounts provided to the Executive Council 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:

	2012 Shs'000	2011 Shs'000
Kenya	7,138,391	5,821,748
Uganda	87,482	24,188
Sudan	1,027	-
Total	**7,226,900**	**5,845,936**

Revenues are allocated based on the country in which the insurance 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:

	2012 Shs'000	2011 Shs'000
Kenya	35,448,687	25,489,945
Uganda	182,168	149,299
Sudan	189,310	-
Total	**35,820,165**	**25,639,244**

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:

	2012 Shs'000	2011 Shs'000
Kenya	2,699,501	2,133,871
Uganda	31,420	39,612
Sudan	37,189	-
Total	**2,768,110**	**2,173,483**

6 Gross revenue

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

Insurance business - premiums	GROUP	
	2012 Shs'000	2011 Shs'000
Long term insurance business:		
Ordinary life	2,827,779	2,563,333
Group life	1,118,265	916,139
Total long term business	**3,946,044**	**3, 479,472**
Short term insurance business:		
Motor	1,152,161	821,253
Fire	201,909	165,181
Marine	155,050	144,862
Personal accident and medical	1,053,581	744,270
Other	340,947	252,583
Total short term business	**2,903,648**	**2,128,149**
Total insurance revenue	**6,849,692**	**5,607,621**
Asset management business – management fees		
Unit trusts	192,905	193,162
Discretionary	64,487	38,941
Alternative investments	117,947	4,806
Other	1,869	1,406
Total asset management business	**377,208**	**238,315**
Gross revenue	**7,226,900**	**5,845,936**

7 (i) Investment income

Interest from government securities	650,756	288,053
Bank deposit interest	504,148	224,611
Other interest receivable	133,021	105,831
Rental income from investment properties	37,099	38,499
Fair value gain on investment properties (Note 21)	180,132	215,570
Sale of investment property	2,592	7,521
Dividends receivable from equity investments	463,268	416,086
Total	**1,971,016**	**1,296,171**

7 (ii) Net realised gains on financial assets

Realised gain / (losses) on government securities at fair value through profit or loss	6,520	(4,309)
Realised gain / (losses) on quoted investments at fair value through profit or loss	38,420	(78,997)
Realised Gains on sale of unit trusts	614	-
Total	**45,554**	**(83,306)**

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

	GROUP 2012 Shs'000	2011 Shs'000
Fair value gain / (losses) on quoted investments at fair value through profit or loss	1,853,741	(2,270,345)
Fair value gain / (losses) on Government securities at fair value through profit or loss	23,245	(52,045)
Fair value gain / (losses) on unit trusts	1,155,106	(983,673)
Total	**3,032,092**	**(3,306,063)**

8 Other income

Fee income		
- arising on long term insurance contracts	2,567	24,394
- arising on short term insurance contract	20,670	4,116
- arising on deposit administration	28,275	11,998
- Other miscellaneous	1,672	22,452
Total	**53,184**	**62,960**

9 (i) Net claims and policyholder benefits payable

Long term business		
Insurance contracts with fixed and guaranteed terms		
- death, maturity and surrender benefits	893,178	955,213
- bonuses	459,893	447,681
-Increase in policy holders' liabilities	1,189,436	834,034
Less: reinsures' share	(61,111)	(47,497)
Total long term	**2,481,396**	**2,189,431**
Short term business		
Claims payable by principal class of business:		
- Motor	572,147	408,970
- Fire	96,680	75,471
- Personal accident and medical	454,866	348,537
- Marine	1,709,967	14,656
- Other	96,183	61,351
Less : reinsures' share	(1,741,908)	(99,400)
Total short term	**1,187,935**	**809,585**
Total long term and short term	**3,669,331**	**2,999,016**

9 (ii) Interest payments/increase in value

Long term business		
Interest on deposit administration contract (Note 41)	799,389	217,705
Fair value gains / (loss) on investment contracts (Note 42)	809,439	(983,394)
Total Interest Payments	**1,608,828**	**(765,689)**

10 Operating and other expenses

	GROUP	
	2012	2011
	Shs'000	Shs'000
Staff costs (Note 11)	771,241	610,787
Auditor's remuneration	11,390	7,633
Depreciation on leasehold improvements and equipment (Note 17)	77,184	61,843
Amortisation of intangible assets (Note 18)	22,551	18,591
Provision for impairments on receivables	192	14,047
Repairs and maintenance expenditure	7,016	7,135
Other	1,397,004	1,040,508
Total	**2,286,578**	**1,760,544**

11 Staff costs

Staff costs include the following:		
Salaries and wages	683,929	501,355
Retirement benefits costs		
- defined contribution scheme	71,004	53,549
- defined benefit scheme (Note 45)	13,796	52,904
- Social security benefits costs	2,512	2,979
Total	**771,241**	**610,787**

The number of persons employed by the Group at the year-end was 376 (2011: 314).

12 Income tax expense

Income tax expense	**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 funds 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:

	2012	2011
	Shs'000	Shs'000
Results of operating activities	**2,702,561**	**(1,803,522)**
Tax calculated at a tax rate of 30%	810,768	(541,057)
Add / (Less):		
Tax effect of (income/ (loss) not subject to tax	(517,416)	670,150
Overprovision of deferred tax for prior year	-	(447)
Tax effect of expenses not deductible for tax purposes	36,593	104,573
Tax charge	**329,945**	**233,219**

Notes to the Financial Statements

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

	2012			2011		
	Before tax Shs'000	Tax (charge) credit Shs'000	After tax Shs'000	Before tax Shs'000	Tax (charge) credit Shs'000	After tax Shs'000
Currency translation losses	(10,689)	-	(10,689)	(8,159)	-	(8,159)
Fair value gains/(losses):					-	
– Building	147,967	-	147,967	24,915	-	24,915
– Available-for-sale financial assets	1,527,995	-	1,527,995	(2,245,832)	-	(2,245,832)
Other comprehensive income	**1,665,273**	**-**	**1,665,273**	**(2,229,076)**	**-**	**(2,229,076)**

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 2011	30,000	150,000	-	150,000
Share split	1,500,000	-	-	-
Issue of shares	391,452	39,145	3,164,455	**3,203,600**
Balance at 1 January 2012	**1,891,452**	**189,145**	**3,164,455**	**3,353,600**
Share split	-	-	-	-
Issue of shares	-	-	-	-
Balance at 31 December 2012	**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 (2011: is 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 (2011: 1,891 million with par value of Shs 10 cents per share). All shares issued 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 92,401,600 (2011; 92,401,600) of its own ordinary shares through purchases on the Nairobi Securities Exchange. The total amount paid to acquire the shares, net of income tax, was Shs 829,752,251 and was deducted from other reserves. The shares are held as treasury shares. All shares issued by the Company were fully paid.

14 Other reserves

Other reserves include fair value reserves arising from revaluation of assets carried as available for sale, revaluation reserves on property 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	Translation shs'000	Treasury shares shs'000	General Shs '000	Total Shs'000
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 available for sale quoted investments (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**
Balance at 1 January 2011	5,685,429	77,432	-	-	365,075	6,127,936
Revaluation gain on building	-	24,915	-	-	-	24,915
Revaluation losses on available for sale quoted investments(Note 22(ii)	(2,245,832)	-	-	-	-	(2,245,832)
Transfer from retained earnings	-	-	-	-	462,096	462,096
Treasury shares (Note 13)	-	-	-	(829,752)	-	(829,752)
Currency translation losses	-	-	(8,159)	-	-	(8,159)
Balance at 31 December 2011	**3,439,597**	**102,347**	**(8,159)**	**(829,752)**	**827,171**	**3,531,204**

COMPANY

Other reserves are comprised of fair value reserves arising from revaluation of assets carried as available for sale.

15 Earnings per share

Basic earnings per share have been calculated by dividing the net profit/ (loss) 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 2012 or 31 December 2011.

	2012	2011
Profit/(loss) attributed to equity holders (Shs' thousands)	2,519,461	(1,957,305)
Weighted number of ordinary shares in issue (thousands)	1,799,050	1,799,050
Basic and diluted earnings per share (Shs)	**1.40**	**(1.09)**

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 21 June 2013, a final dividend in respect of the year ended 31 December 2012 of Shs 0.25 per share (2011: Shs 0.15) amounting to a total of Shs 472,862,963 is to be proposed. (2011: Shs 283,717,778).

Payment of dividends is subject to withholding tax at the rate of either 5% or 10%, depending on the residence of the individual shareholders.

17 Property and equipment

GROUP	Lands & 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 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**
Year ended 31 December 2011						
Cost or valuation						
At start of year	373,833	173,844	16,856	210,521	105,889	880,943
Additions	-	9,316	16,947	66,646	17,664	110,573
Disposals	-	-	(3,850)	(6,976)	(7,209)	(18,035)
Valuation	24,915	-	-	-	-	24,915
At end of year	**398,748**	**183,160**	**29,953**	**270,191**	**116,344**	**998,396**
Depreciation						
At start of year	-	127,562	11,126	102,058	58,777	299,523
Charge for the year	-	12,127	3,759	31,292	14,665	61,843
Disposal	-	-	(3,654)	(6,420)	(6,256)	(16,330)
At end of year	**-**	**139,689**	**11,231**	**126,930**	**67,186**	**345,036**
Net book amount						
At 1 January 2011	**373,833**	**46,282**	**5,730**	**108,463**	**47,112**	**581,420**
At 31 December 2011	**398,748**	**43,471**	**18,722**	**143,261**	**49,158**	**653,360**

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 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**
Year ended 31 December 2011					
Cost or valuation					
At start of year	-	5,179	720	617	6,516
Additions	1,401	-	1,372	308	3,081
At end of year	**1,401**	**5,179**	**2,092**	**925**	**9,597**
Depreciation					
At start of year	-	2,244	160	123	2,527
Charge for the year	65	1,036	193	151	1,445
At end of year	**65**	**3,280**	**353**	**274**	**3,972**
Net book amount					
At 1 January 2011	**-**	**2,935**	**560**	**494**	**3,989**
At 31 December 2011	**1,336**	**1,899**	**1,739**	**651**	**5,625**

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 2012 in an open market basis. The carrying amount of the building would have been Shs 132,613,000 (2011: Shs 135,520,000) had it been carried out under the cost model.

All property and equipment is classified as non current assets.

18 Intangible assets

	GROUP		COMPANY	
Computer and software costs	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
At the start of year	114,830	91,878	3,388	197
Additions	21,538	41,543	452	3,191
Amortisation	(22,551)	(18,591)	(484)	-
At end of year	**113,817**	**114,830**	**3,356**	**3,388**
Cost	287,087	266,077	3,840	3,388
Accumulated amortisation	(173,270)	(151,247)	(484)	-
Net book amount	**113,817**	**114,830**	**3,356**	**3,388**

Intangible assets are classified as non current assets.

19 Investment in associate

As at 31 December 2011, the group had a shareholding of 20.88% of Housing Finance limited. During the year 2012, the Group acquired an additional 0.58% of the share capital of Housing Finance Limited for Shs 20,000,000 increasing its shareholding to 21.46%. Investment in associate as at 31 December 2012 include goodwill of Shs 376,280,000(2011 Shs 381,343,000)

	2012 Shs'000	2011 Shs'000
At the start of the year (Note 22(ii))	1,360,608	-
Transfer from quoted investments at fair value through P& L (Note 22(ii)	-	764,641
Additions during the year	20,000	516,795
Gain on valuation based on net asset value less transaction costs	-	13,966
Share of profits	146,845	79,436
Dividends received	(67,627)	(14,230)
At end of year	**1,459,826**	**1,360,608**

20 Investment in subsidiary companies - Company

	% holding in equity shares		
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	240,000	200,000
Britam Insurance Company Limited (South Sudan)	100	250,000	-
Total		**1,050,000**	**760,000**

21 Investment property

	GROUP	
At start of year	1,405,294	1,173,571
Additions	120,631	16,870
Disposal	-	(717)
Fair value gains	180,132	215,570
At end of year	**1,706,057**	**1,405,294**

The valuation exercise was carried out by Gimco Limited, registered professional valuers on 31 December 2012. Investment property is valued on an open market basis. An investment in property is classified as non current assets.

22 Quoted equity investments

i) Available for sale

	GROUP		COMPANY	
	2012 Shs '000	2011 Shs '000	2012 Shs '000	2011 Shs '000
At start of year	3,409,402	5,979,690	1,069,710	-
Additions	-	-	-	1,214,000
Disposals	-	(324,456)	-	-
Fair value gains / (losses)	1,527,995	(2,245,832)	479,412	(144,290)
At end of year	**4,937,397**	**3,409,402**	**1,549,122**	**1,069,710**

ii) At fair value through profit or loss

	GROUP		COMPANY	
	2012	2011	2012	2011
	Shs '000	Shs '000	Shs '000	Shs '000
At start of year	4,281,483	7,535,861	2,685,559	4,380,171
Transfer to investment in Associate (Note 19)	-	(794,641)	-	-
Additions	59,260	32,235	-	-
Disposals	(110,195)	(251,627)	(375,904)	-
Fair value gains / (losses)	1,853,741	(2,270,345)	1,035,120	(1,694,612)
At end of year	**6,084,289**	**4,281,483**	**3,344,775**	**2,685,559**

23 Unquoted investments

	GROUP	
	2012	2011
	Shs '000	Shs '000
At start of year	50,490	50,490
Additions	3,519	-
At end of year	**54,009**	**50,490**

24 Unit trusts

	GROUP		COMPANY	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,378,902	4,265,612	512,458	-
Additions	905,681	1,102,466	-	508,145
Disposals	(375,002)	(5,503)	(355,000)	-
Fair value gains	1,155,106	(983,673)	18,251	4,313
At end of year	**6,064,687**	**4,378,902**	**175,709**	**512,458**

Unit-linked investment contracts are designated as contracts at fair value through profit or loss. 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	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	-	-	-	-
Additions	28,253	-	28,253	-
Maturities	-	-	-	-
At end of year	**28,253**	**-**	**28,253**	**-**

ii) Held to maturity

At start of year	283,329	305,717	-	-
Additions	302,424	-	-	-
Maturities	(77,395)	(22,388)	-	-
At end of year	**508,358**	**283,329**	**-**	**-**

26 Government securities

i) At fair value through profit or loss

	GROUP	
	2012 Shs'000	2011 Shs'000
Treasury bills and bonds maturing		
- Within 1 year	105,893	60,291
- In 1 – 5 years	22,421	111,946
- After 5 years	48,248	44,097
Total	**176,562**	**216,334**
Treasury bills and bonds movement		
- At start	216,334	361,360
- Additions	-	-
- Fair value gains	23,245	(52,045)
- Disposals and maturities	(63,017)	(92,981)
At end of year	**176,562**	**216,334**

ii) Investment held to maturity

At start of year	4,374,453	2,109,214
Additions	2,587,493	2,289,298
Maturities	(276,166)	(24,059)
At end of year	**6,685,780**	**4,374,453**

27 Mortgage loans

At start of year	703,970	601,537
Loans advanced	260,996	243,737
Loan repayment	(127,871)	(141,304)
Total	**837,095**	**703,970**
Less: Provision for impairment losses	(25,073)	(25,073)
At end of year	**812,022**	**678,897**
Lending commitments:		
Mortgage loans approved by directors but not advanced as at 31 December	68,140	110,642

Mortgage loans to related parties are disclosed in note 32

28 Loans to policyholders

At start of year	247,304	303,418
Loans advanced	221,471	202,259
Surrenders	(60,082)	(60,486)
Loan repayments	(99,238)	(197,887)
At end of year	**309,455**	**247,304**

29 Reinsurers' share of insurance liabilities

	2012 Shs'000	2011 Shs'000
Reinsurers' share of:		
- notified claims outstanding – long term	137,829	63,783
- notified claims outstanding – short term (Note 39)	2,038,498	344,287
- unearned premium (Note 43)	176,630	114,945
- claims incurred but not reported (Note 39)	43,305	61,537
At end of year	**2,396,262**	**584,552**

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.

30 Deferred acquisition costs

	2012 Shs'000	2011 Shs'000
At start of year	97,049	73,461
Net increase	34,225	23,588
At end of year	**131,274**	**97,049**

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.

31 Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2011: 30%). The movement on the deferred income tax account and the composition of the unrecognised deferred income tax asset is as follows:

	31.12.12 Shs'000	2012 Movement Shs'000	31.12.11 Shs'000	2011 Movement Shs'000	1.1.11 Shs'000
Property and equipment:					
- on historical cost basis	43,719	48,081	(4,362)	(12,316)	7,954
Provisions	(12,347)	(23,223)	10,876	6,216	4,660
- British-American Asset Managers Limited	-	-	-	(5,619)	5,619
- British-American Investment Company (Kenya) Limited	235,649	29,677	205,972	(9,781)	215,753
Less: Deferred tax asset not recognised:					
- British-American Insurance Company (Kenya) Limited	(24,013)	(24,410)	397	4,710	(4,313)
- British-American Investment Company (Kenya) Limited	(238,810)	(29,909)	(208,901)	8,983	(217,884)
Net deferred tax asset	**4,198**	**216**	**3,982**	**(7,807)**	**11,789**

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:

	31.12.12 Shs'000	2012 Movement Shs'000	31.12.11 Shs'000	2011 Movement Shs'000	1.1.11 Shs'000
Property and equipment:	(688)	(345)	(343)	(297)	(46)
Provisions	3,849	577	3,272	1,094	2,178
Tax losses carried forward					
- British-American Investment Company (Kenya) Limited	235,649	29,677	205,972	(9,780)	215,752
Net deferred tax asset	**238,810**	**29,909**	**208,901**	**(8,983)**	**217,884**

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.

32 Related party transactions

The ultimate parent for the Group is British-American Investment Co (Mtius) Limited, a Company registered in the Republic of Mauritius and listed on the Stock Exchange of Mauritius. There are several other companies related to the Group through common shareholdings or being controlled or significantly influenced by a director or management personnel of the Company.

The following transactions were carried out with related parties:

i. A management fee of Shs 18 million (2011: Shs 18 million) was paid to British-American (UK) Limited for consultancy services.
ii. 21.46% share of Housing Finance profit after tax of Shs 146,845,000 (2011: Shs 79,436,000)

i) Outstanding balances with related parties

Dues from related parties – Group

	2012 Shs'000	2011 Shs'000
Secured loan insurance	5,075	9,106
Total	**5,075**	**9,106**

	2012 Shs'000	2011 Shs'000
Dues to related party – Company		
Britam Insurance Company (Uganda) Limited	-	657
Britam Insurance Company Limited (South Sudan)	22,888	-
British-American Insurance Company (Kenya) Limited	619,923	166,733
British-American Asset Managers Company Limited	6,211	-
Total	**649,022**	**167,390**
Due from related party – Company		
British-American Asset Managers Company Limited	-	4,566
British-American Mauritius	-	105
Britam Insurance Company (Uganda) LImited	11,702	-
Total	**11,702**	**4,671**

The inter-company balances attract interest at 11% (2011: 11%) and this amounted to Shs 57.5 million (2011: Shs 47.3 million).

The value of Equity Bank Limited shares held by the Group at the end of the year amounted to Shs 9,356,000,000 (2011: Shs 6,460,184,000).The Group has also invested Shs 6,064,687,000 (2011: Shs 4,378,902,000) in the various British-American unit trust funds.

ii) Mortgage loans to directors of the Group	2012 Shs'000	2011 Shs'000
Loans to directors and their families		
At start of year	190,213	114,038
Loans advanced during the period	29,606	102,554
Interest charge for the year	28,411	16,634
Loan repayments received	(45,611)	(43,013)
At end of year	**202,619**	**190,213**

The loans to directors, which are secured, were given on commercial terms and at market rates.

iii) Transactions with related parties

Gross earned premium		
Equity Bank Limited	1,807,787	834,932
British-American Asset Managers	1,397	1,304
Housing Finance Limited	24,194	15,321
Net claims incurred - Equity Bank Limited	890,648	323,665
Interest on related party balances	47,324	57,497
Fair value gains / (losses) on Equity Bank Limited shares	2,421,490	(3,546,707)
Bank balances - Equity Bank Limited	84,438	84,438
Acquisition of additional shares in Housing Finance	20,000	516,795
21.46% share of Housing Finance profit after tax	146,845	79,436

The Group holds a 10.64% (2011: 10.64%) stake in Equity Bank Limited and 21.46% (2011: 20.86%) in Housing Finance Company of Kenya Limited.

iv) Directors' and Senior Managers' remuneration– Group

Directors' fees	12,226	6,619
Directors' other remuneration	43,102	38,255
Senior Managers' remuneration	171,365	137,092
Total	**226,693**	**181,966**

33 Other receivables

	GROUP		COMPANY	
	2012	2011	2012	2011
	Shs'000	Shs'000	Shs'000	Shs'000
Staff and agents loans	113,872	113,449	-	-
Dues from managed funds	69,192	12,645	-	-
Prepayments	19,343	86,662	4,625	4,500
Other receivables	178,723	100,042	71,060	71,886
Total	**381,130**	**312,798**	**75,685**	**76,386**

All prepayments are classified as current. The ageing analysis of other receivables is presented in note 4(b).

34 Cash and cash equivalents

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

	GROUP	
	2012	2011
	Shs'000	Shs'000
Cash and bank balances	415,814	425,339
Deposits with financial institutions	1,975,913	2,463,976
Treasury bills and bonds maturing within 90 days of the date of acquisition	-	-
Bank overdraft	(46,810)	(1,154)
Total cash and cash equivalents	**2,344,917**	**2,888,161**

The weighted average effective interest rate on short-term bank deposits was 18.52% (2011: 24.69%).

The effective interest rate on overdraft was 10.12% (2011: 19.9%) which was the applicable 91 day Treasury Bill rate plus a margin of 2%.

35 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:	GROUP 2012 Shs'000	2011 Shs'000
Profit/(Loss) before tax	2,849,406	(1,724,086)
Adjustments for:		
Depreciation of leasehold improvements and equipment(Note 17)	77,184	61,843
Amortisation of intangible assets (Note 18)	22,551	18,591
Investment income	(1,971,016)	(1,296,171)
Net realised gains on financial assets	(45,554)	487,345
Net fair value gains on financial assets at fair value through profit and loss	(3,032,092)	2,902,024
Share of profit of the associate	(146,845)	(79,436)
Changes in:		
Receivables arising out of direct insurance arrangements	(252,843)	(126,479)
Receivables arising out of reinsurance arrangements	(48,912)	10,081
Re-insurers' share of insurance liabilities	(1,811,710)	(120,659)
Increase in unearned premium reserves	309,417	267,033
Retirement benefit liability	(35,996)	24,361
Other payables	89,672	128,202
Receivables from related parties	4,030	(6,410)
Deferred acquisition costs	(34,225)	(23,588)
Other receivables	(68,332)	75,749
Increase in insurance contract liabilities	3,096,790	1,024,223
Actuarial liabilities under investment contract	1,672,336	(9,825)
Payable under deposit administration contracts	1,748,010	770,085
Creditors arising out of reinsurance arrangements	64,105	59,744
Cash generated from operations	**2,485,976**	**2,442,627**

36 Insurance contract liabilities

Long term insurance contracts		
- claims reported and claims handling expenses	514,898	384,148
- actuarial value of long term liabilities (Note 40)	7,179,810	5,990,061
Total – long term	**7,694,708**	**6,374,209**
Short term non-life insurance contracts		
- claims reported and claims handling expenses	2,560,940	794,050
- claims incurred but not reported (Note 39)	211,563	202,162
Total – short term (Notes 39)	**2,772,503**	**996,212**
Total gross insurance liabilities	**10,467,211**	**7,370,421**

Movements in insurance liabilities and reinsurance assets are shown in note 39.

37 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	2008 Shs'000	2009 Shs'000	2010 Shs'000	2011 Shs'000	2012 Shs'000	Total Shs'000
Estimate of ultimate claims costs:						
– at end of accident year	376,624	469,746	744,229	557,597	2,325,945	4,474,141
– one year later	453,452	589,677	287,827	270,382	-	1,601,338
– two years later	448,578	156,921	246,207	-	-	851,706
– three years later	114,976	128,295	-	-	-	243,271
– four years later	73,568	-	-	-	-	73,568
Current estimate of cumulative claims	73,568	128,295	246,207	270,382	2,325,945	3,044,397
Add: Incurred but not Reported	-	-	-	-	214,183	214,183
Add: Liability in respect of prior years	92,099	-	-	-	-	92,099
Less: Cumulative payments to date	79,816	59,538	102,242	128,669	207,910	578,176
Liability included in the balance Sheet	**85,849**	**68,757**	**143,965**	**141,713**	**2,332,218**	**2,772,503**

38 Long term insurance contract liabilities

The Group is determines its liabilities on long term insurance contracts based on assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. A margin for risk and uncertainty added to these assumptions. The liabilities are determined on the advice of the consulting actuary and actuarial valuations carried out on an annual basis. As at 31 December 2011, the valuation showed a surplus of Shs 4,743 million (2011: Shs 6,136 million).

Valuation assumptions

The latest actuarial valuation of the long term fund was carried out as at 31 December 2012 by Aon Hewitt Actuarial, consulting actuaries, using the net premium valuation method as required by the Kenyan Insurance Act.

Significant valuation assumptions are summarised below. The assumptions did not change in 2012.

i) Mortality

The Group uses table A49/52 and a(55) as a base table of standard mortality. Statistical methods are used to adjust the rates reflected on the table based on the Group's experience. For contracts insuring survivorship, an allowance is made for future mortality improvements made on trends identified in the data.

ii) Persistency

Statistical methods are used to determine an appropriate persistency rate, with reference to the Group's experience over the most recent five years. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates.

iii) Investment returns

A weighted average rate of investment return is derived with reference to the portfolio that backs the liabilities. For the current valuation, the rate of return assumed was 4% (2011: 4%).

iv) Expenses, tax and inflation

The current level of expenses is taken to be an appropriate expense base. Expense inflation is assumed to be 10.3% (2011:12%). It has been assumed that the current tax legislation and rates continue unaltered.

39 Movements in insurance liabilities and reinsurance assets

Short term insurance business	2012 Gross Shs'000	2012 Rein-surance Shs'000	2012 Net Shs'000	2011 Gross Shs'000	2011 Rein-surance Shs'000	2011 Net Shs'000
Notified claims	794,050	344,287	449,763	625,674	259,572	366,102
Incurred but not reported	202,162	61,537	140,625	197,501	42,449	155,052
Total at beginning of year	**996,212**	**405,824**	**590,388**	**823,175**	**302,021**	**521,154**
Cash paid for claims settled in year	(1,181,470)	(65,929)	(1,115,541)	(839,951)	(99,400)	(740,551)
Increase in liabilities:						
- arising from current year claims	2,903,231	1,725,073	1,178,158	633,226	17,539	615,687
- arising from prior year claims	54,530	16,835	37,695	379,322	185,663	193,659
Total at end of year	**2,772,503**	**2,081,803**	**690,700**	**995,772**	**405,823**	**589,949**
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 the end of year	**2,772,503**	**2,081,803**	**690,700**	**996,212**	**405,824**	**590,388**

40 Actuarial value of long term liabilities

	2012 Ordinary life Shs'000	2012 Group life Shs'000	2012 Total Shs'000	2011 Ordinary life Shs'000	2011 Group life Shs'000	2011 Total Shs'000
At beginning of year	5,233,509	756,552	5,990,061	4,614,600	541,005	5,155,605
Policyholder bonuses and interest	(459,893)	-	(459,893)	(575,987)	-	(575,987)
Surrenders and annuity payments	(78,330)	-	(78,330)	(471,968)	-	(471,968)
Increase in the period (net)	1,539,776	188,196	1,727,972	1,666,864	215,547	1,882,411
At end of year	**6,235,062**	**944,748**	**7,179,810**	**5,233,509**	**756,552**	**5,990,061**

41 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 8% for the year (2011: 8%).

	GROUP 2012 Shs'000	GROUP 2011 Shs'000
At 1 January	4,039,062	3,268,977
Pension fund deposits received	1,412,167	977,140
Surrender and annuities paid	(463,546)	(424,760)
Interest payable to policyholders	799,389	217,705
At 31 December	**5,787,072**	**4,039,062**

42 Liabilities under investment contracts

	2012 Shs'000	2011 Shs'000
At start of the year 1 January	3,173,191	3,183,016
Net investments	1,281,424	1,249,228
Liabilities released for payments:		
Surrenders	(418,526)	(275,659)
Fair value gain / (loss) on investments	809,438	(983,394)
At 31 December	**4,845,527**	**3,173,191**

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.

43 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:

Unearned premium	2012			2011		
	Insurer's share Shs'000	Reinsures' share Shs'000	Gross Shs'000	Insurer's share Shs'000	Reinsures' share Shs'000	Gross Shs'000
At beginning of year	867,833	114,945	982,778	610,690	105,055	715,745
Increase in the period (net)	247,732	61,685	309,417	257,143	9,890	267,033
At end of year	**1,115,565**	**176,630**	**1,292,195**	**867,833**	**114,945**	**982,778**

44 Commitments

The commitments as at the financial reporting date were Shs 24,747,000 (2011: Shs 30,720,000)

45 Retirement benefit liability

The amounts recognised in the statement of financial position are determined as follows:

	2012 Shs'000	2011 Shs'000
Present value of funded obligations	287,695	215,229
Fair value of plan assets	(261,306)	(177,400)
Present value of unfunded obligations	**26,389**	**37,829**
Unrecognised actuarial (losses)/gains	(12,309)	12,247
Liability in the statement of financial position	**14,080**	**50,076**

Retirement benefit liability is classified as a non current liability.

The movement in the defined benefit obligation over the year was as follows:

	2012 Shs'000	2011 Shs'000
At start of year	215,229	279,710
Current service cost	11,680	8,784
Interest cost	25,522	37,459
Actuarial losses/gains	40,358	(106,249)
Benefits paid	(5,094)	(4,475)
At end of year	**287,695**	**215,229**

The movement in the fair value of the plan assets is as follows:

	2012 Shs'000	2011 Shs'000
At start of year	177,400	139,003
Expected return on scheme assets	15,286	23,273
Actuarial gains	15,801	(17,176)
Employer contributions	49,793	28,542
Employee contributions	8,120	8,233
Benefits paid	(5,094)	(4,475)
At end of year	**261,306**	**177,400**

Expected contributions to the plan for the year ending 31 December 2012 are Shs 26,182,000 (2011: Shs 24,097,000).

The amounts recognised in the income statement for the year are as follows:

	2012 Shs'000	2011 Shs'000
Current service cost	11,680	8,784
Interest cost	25,522	37,459
Expected return on scheme assets	(15,286)	(23,273)
Net actuarial losses recognised in the year	-	38,167
Contributions received from members	(8,120)	(8,233)
Total, included in employee benefit expense	**13,796**	**52,904**

The actual return on scheme assets was Shs 31,087,000 (2011: Shs 6,097,000).

The principal actuarial assumptions used were as follows:

- discount rate	12%	9.5%
- expected rate of return on scheme assets	7.5%	15%
- future salary increases	7.5%	8%

Below is a five year summary of the defined benefits scheme assets/liabilities.

	2012 Shs'000	2011 Shs'000	2010 Shs'000	2009 Shs'000	2008 Shs'000
Present value of defined benefit obligation	(287,695)	(215,229)	(279,710)	(188,903)	(95,687)
Fair value of plan assets	261,306	177,400	139,003	99,569	85,437
Deficit in the plan	**(26,389)**	**(37,829)**	**(140,707)**	**(89,334)**	**(10,250)**
Experience adjustments on plan liabilities	(4,810)	(4,842)	(10,874)	(68,587)	70,262
Experience adjustments on plan assets	(516)	(17,176)	(804)	(2,866)	(8,672)

46 Bank loan

The loan is secured by lien on quoted shares at fair value through profit or loss, is repayable in 3 years and is charged interest at 11.5%. The loan was not in default at any time during the year.

	GROUP AND COMPANY	
	2012 Shs'000	2011 Shs'000
At 1 January	784,577	749,318
Additions	-	29,000
Repayment	(950,047)	(87,535)
Interest payable	165,470	93,794
At 31 December	**-**	**784,577**

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	
	%	%
Mortgage loans	11.87	11.860
Policy loans	14.50	14.50
Government securities	11.77	10.98
Deposits with financial institutions	18.52	24.69
Unit trusts	9.1	8.90
Corporate bond	12.23	10.46

Deposits with financial institutions have an average maturity of 3 months (2011: 3 months)

48 Other payables

	GROUP		COMPANY	
	2012 Shs'000	2011 Shs'000	2012 Shs'000	2011 Shs'000
Accrued expenses	297,082	202,312	20,845	27,198
Premiums paid in advance	169,051	137,468	-	-
Other liabilities	170,149	206,830	211	2,453
Total	**636,282**	**546,610**	**21,056**	**29,651**

49 Contingent liabilities

The directors are of the opinion that there exists no matter with a material effect on the financial position of the profits of the company and the group to warrant any contingent liability.

I/We ………………………………………………… of ……………………………….. being a member(s) of British-American Investments Company (Kenya) Limited, hereby appoint ……………………………………. of ……………………………… or failing him/her ……………………………… of …………………………………… failing whom, the Chairman of the Meeting, as my/our proxy, to vote for me/ us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 24th May 2013 and at any adjournment thereof.

As witness my/our hand this …………………… day of ………………… 2013

Signed …………………………………………………

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 Centre, Mara/Ragati Road, Upper Hill, Nairobi, P.O. Box 30375 – 00100, Nairobi or the Shares Registrar, Image Registrars Limited, Transnational Plaza, 8th Floor, Mama Ngina Street, Nairobi not later than 10.00 am on 22nd May 2013 failing which it will be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in pdf format.

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