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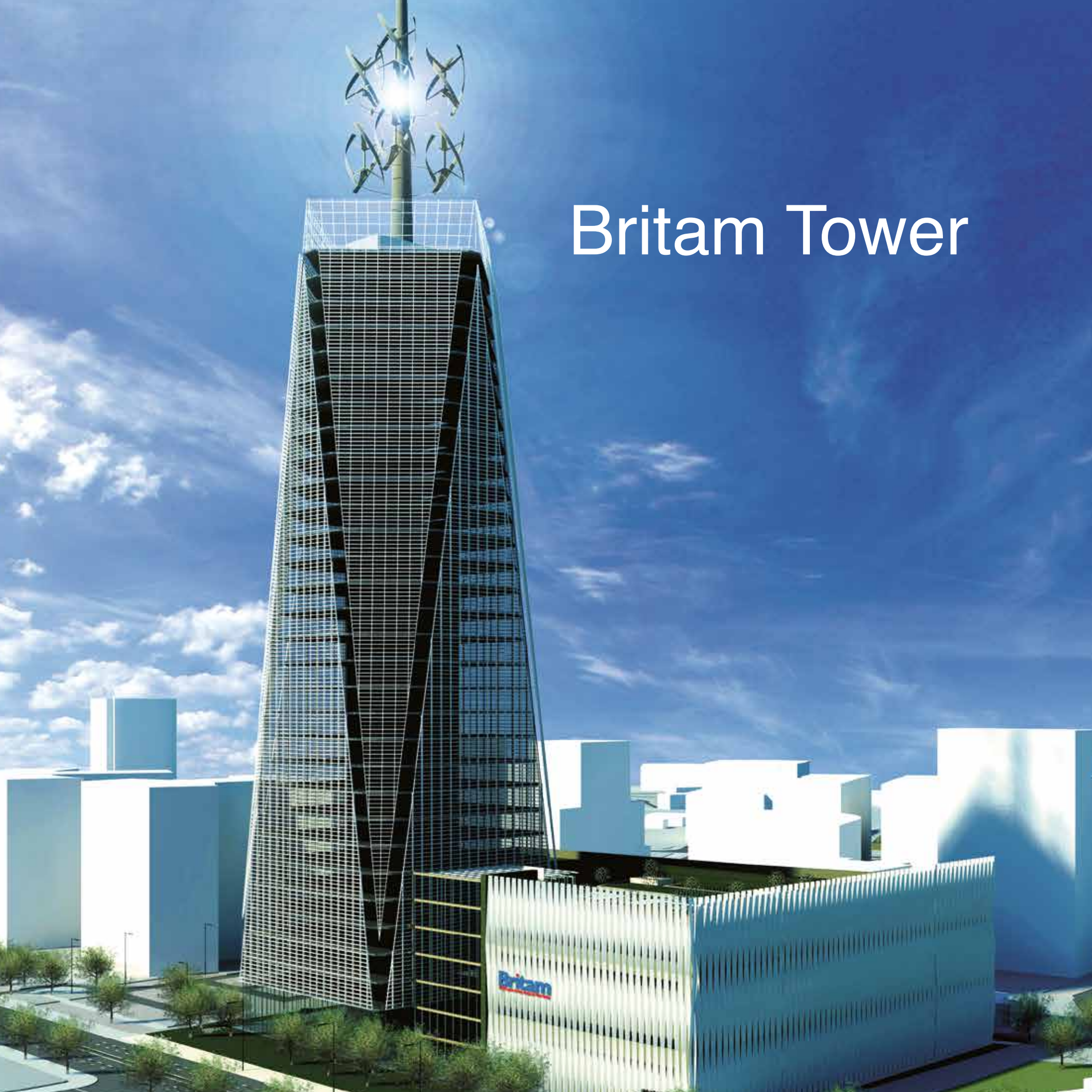


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Britam Tower



CORPORATE INFORMATION

REGISTERED OFFICE

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED

Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O Box 30375, 00100 Nairobi, Kenya
Tel: (+254) 020 2833 000/2710 927
Fax: (+254) 020 2717 626
E-mail: baicl@britam.co.ke
Website (Group): www.britam.co.ke

LOCAL SUBSIDIARIES

3 of the local subsidiaries share physical and postal addresses with the Company as below;

BRITISH-AMERICAN INSURANCE COMPANY (KENYA) LIMITED

Director, Insurance Business & Managing Director: Mr. Stephen O. Wandera
E-mail: insurance@britam.co.ke

BRITISH-AMERICAN ASSET MANAGERS LIMITED

Acting CEO: Mr. Jude Anyiko
E-mail: assetmanagement@britam.co.ke

BRAMER PROPERTIES LIMITED

E-mail: info@britam.co.ke

BRITAM GENERAL INSURANCE COMPANY (KENYA) LIMITED

Renaissance Corporate Park
Elgon Road
Upper Hill
P.O Box 30375-00100, Nairobi, Kenya
CEO/Principal Officer: Mr. Joseph Kiuna
Tel: (+254) 020 2833000/0703094000
Email: info@britam.co.ke

REGIONAL SUBSIDIARIES

BRITAM INSURANCE COMPANY (UGANDA) LIMITED

Course View Towers, 1st Floor, Plot 21 Yusuf Lule Road
P.O Box 36583, Kampala Uganda
CEO/ Principal Officer: Mr. Allan S. Mafabi
Tel: (+256) 417 702 600
Email: britam@britam.co.ug

BRITAM INSURANCE COMPANY LIMITED (SOUTH SUDAN)

The Britam Place, Hai Malakal Juba, South Sudan
CEO/Principal Officer: Mr. John Githinji
Tel: (+211) 956 444 457/8
Email: britamss@britamsouthsudan.com

BRITAM INSURANCE COMPANY (RWANDA) LIMITED

Union Trade Centre, 5th Floor
P.O Box 913, Kigali, Rwanda
CEO/Principal Officer: Mr. Reuben Kibiru
Tel: (+250) 252 579 031/2/3
Email: britam@britam.rw

REAL INSURANCE TANZANIA LIMITED

PPF Tower 2nd Floor, Garden/Ohio Street
P. O. Box 75433, Dar es Salaam, Tanzania
CEO/ Principal Officer: Mr. Stephen Okundi
Tel: (+255) 22 2138058/762 900801/712 009930
info@realinsurance.co.tz

REAL INSURANCE COMPANY OF MALAWI LIMITED

Delamere House, Victoria Avenue,
P.O. Box 442, Blantyre, Malawi
CEO/Principal Officer: Mr. Grant Mwenechanya
Tel: (+265)(0)1 824 044/ 08 81893856/09 91461230
blantyre@realinsurance.co.mw

REAL COMPANHIA DE SEGUROS DE MOÇAMBIQUE, SA

Av Tomas Nduda No 1489 Caixa 3681, Maputo Mozambique
CEO/ Principal Officer: Mr. George Sithole
Tel: +258 (21) 492840/8/9
general@realinsurance.co.mz

LOCALLY RELATED PARTIES

HOUSING FINANCE COMPANY OF KENYA LIMITED (HF)

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

EQUITY GROUP HOLDINGS LIMITED

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

CORPORATE INFORMATION (Continued)

SHARE REGISTRAR

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

SECRETARY

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

LEGAL ADVISORS

Kaplan & Stratton, Advocates
Daly & Figgis, Advocates
Coulson Harney, Advocates
Walker Kontos, Advocates
Katende, Ssempebwa & Co Advocates

AUDITOR

PricewaterhouseCoopers
PwC Tower, Waiyaki Way/Chiromo
Road, Westlands
Nairobi, Kenya
Tel: (+254) 020 285 5000
Fax: (+254) 020 285 5001
E-mail: pwc.kenya@ke.pwc.com

ACTUARIAL SERVICES

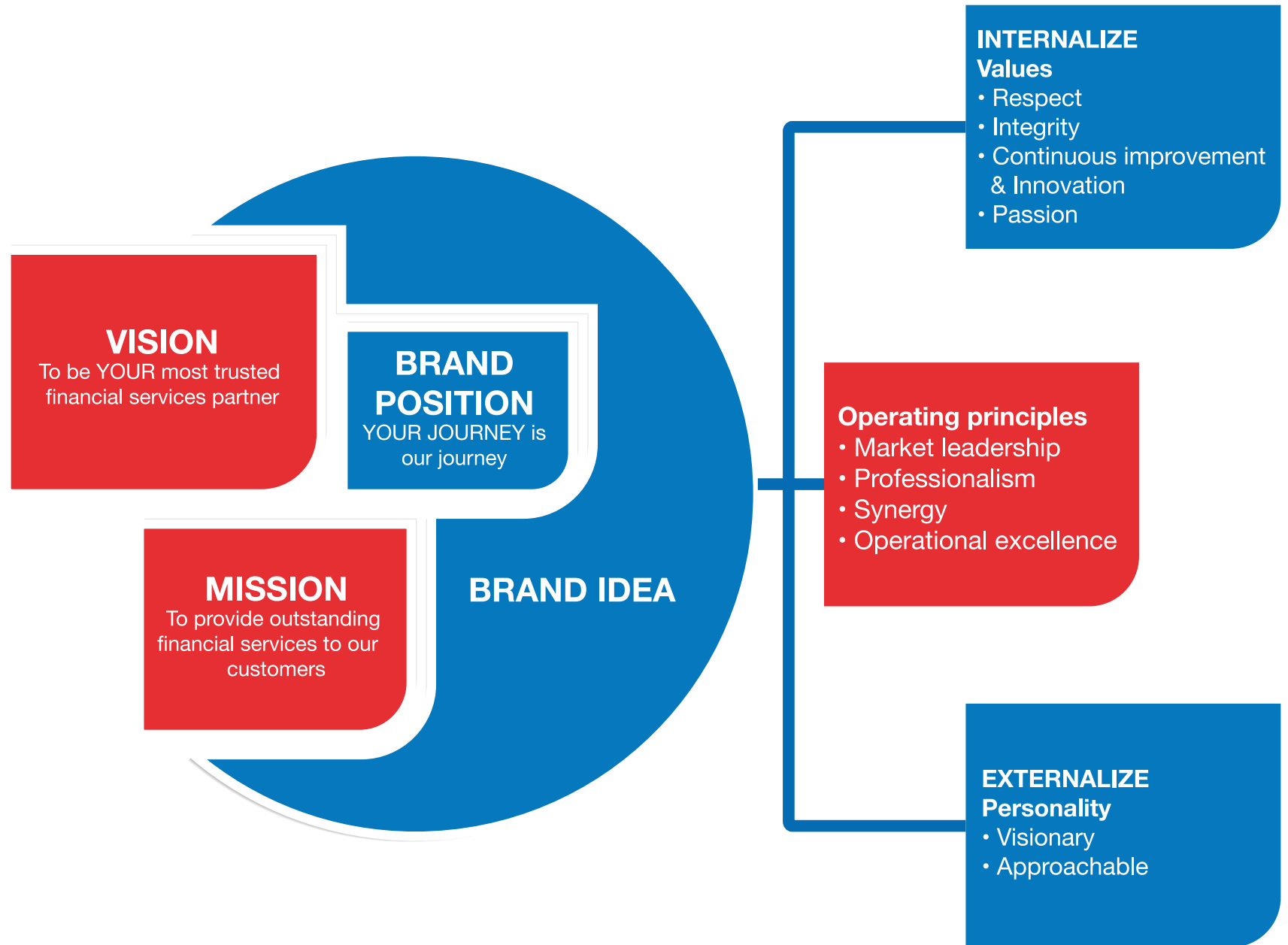
Aon Hewitt/QED Actuaries and
Consultants (Pty) limited
Sandton, South Africa

Triangle Actuarial Services
Wake Forest, North Carolina, USA

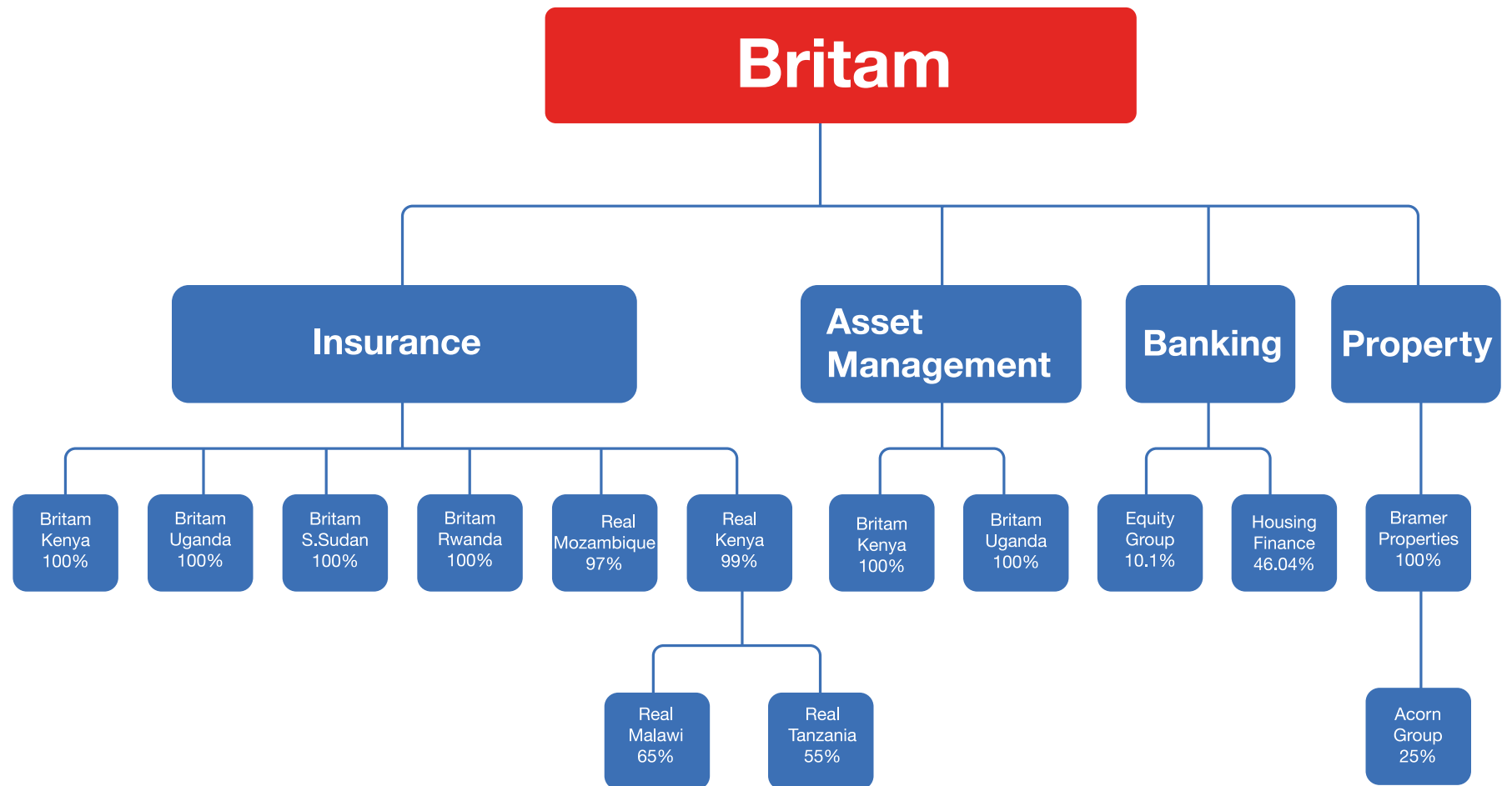
BANKERS

Equity Bank Limited
Commercial Bank of Africa Limited
Barclays Bank of Kenya Limited
Citibank
Kenya Commercial Bank Limited
National Bank of Kenya Limited
Standard Chartered Bank Limited
Co-operative Bank of Kenya Limited
Housing Finance Company of Kenya Limited
Chase Bank (Kenya) Limited









NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 19th ANNUAL GENERAL MEETING of the Company will be held at Safari Park Hotel, Nairobi on Friday, 26th June 2015 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 2014, 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 2014 of Kshs. 0.30 per ordinary share of Kshs. 0.10 each, subject to withholding tax where applicable, to shareholders on the register of members at the close of business as at 3rd April 2015.
5. To elect Directors:
 - i) Mrs. Agnes N. Odhiambo retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director;
 - ii) Mr. Jimnah M. Mbaru retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director;
 - iii) Mr. Walter Andrew Hollas who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.
 - iv) Mr. Richard K. Langat who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.
6. To pass the following Ordinary Resolutions:
 - i) Special Notice pursuant to Section 186 (5) of the Companies Act Cap 486 of the Laws of Kenya having been received by the Company of the intention to move a resolution that Mr. Samson K. Kamau who has attained the age of 70 years be re-elected as a Director of the Company notwithstanding his having attained such age, to consider, and if thought fit, pass the following resolution as an Ordinary resolution:

“That Mr. Samson K. Kamau who has attained the age of 70 years, and who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company, be re-elected as a Director of the Company until he comes up for retirement by rotation under the Memorandum and Articles of Association of the Company”.



NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

- ii) Special Notice pursuant to Section 186 (5) of the Companies Act Cap 486 of the Laws of Kenya having been received by the Company of the intention to move a resolution that Mr. Peter K. Munga who has attained the age of 70 years be re-elected as a Director of the Company notwithstanding his having attained such age, to consider, and if thought fit, pass the following resolution as an Ordinary resolution:

“That Mr. Peter K. Munga who has attained the age of 70 years, and who retires by rotation be re-elected as a Director of Company in accordance with Articles 92 and 93 of the Articles of Association of the Company until he comes up for retirement by rotation under the Memorandum and Articles of Association of the Company.“

7. To approve the remuneration of the Directors’ for the year ended 31st December 2014.
8. To appoint the Auditors Messrs Deloitte & Touche in accordance with Section 159 of the Companies Act (Cap 486) and to authorise the directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

9. To pass the following resolution as a Special Resolution:

“That the Name of the Company be changed from British-American Investments Company (Kenya) Limited to Britam Holdings Limited”.

10. 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

18th May 2015

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend, is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

A Proxy Form may be obtained from the Company’s website www.britam.co.ke, registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi, or offices of the Company’s shares registrar firm, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi.



NOTICE OF THE ANNUAL GENERAL MEETING (Continued)

To be valid, a form of Proxy, must be duly completed by the member and lodged with the Company Secretary at the registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi or at the registered office of the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than. Wednesday, 24th June 2015 at 10.00 a.m., 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 or at the registered office of the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi,.
3. Transport shall be provided to shareholders from Kencom bus stop to the Safari Park Hotel from 7.30 a.m. to 9.00.a.m. on 26th June 2015.



NOTISI YA MKUTANO MKUU

NOTISI INATOLEWA HAPA YA MKUTANO WA 19 MKUU WA MWAKA wa Kampuni utakaofanyika katika mkahawa wa Safari Park Hotel, Nairobi mnamo Ijumaa, tarehe 26 Juni 2015 kuanzia saa nne asubuhi kuangazia maswala yafuatayo:

1. Kutazama orodha ya wawakilishi na kutambua kama akidi imekamilika.
2. Kusoma notisi ya kuitisha mkutano.
3. Kupokea, kuangazia na endapo itaidhinishwa, kupitisha taarifa ya matumizi ya pesa ya mwaka uliomalizika tarehe 31 Disemba 2014, pamoja na taarifa ya Mwenyekiti, Wakurugenzi na ya wakaguzi wa hesabu.
4. Kuidhinisha malipo ya mgao wa mwisho ya mwaka uliomalizika tarehe 31 Disemba 2014 wa Kshs. 0.30 kwa kila hisa ya kawaida ya Kshs. 0.10 kila moja, kukiwa na malipo ya kodi ya withholding tax pale inapotumika, hii ikitekelezwa kwa wamiliki hisa ambao wako katika rejista ya wanachama wakati wa kufungwa kwa shughuli ifikapo tarehe 3 Aprili 2015.
5. Kuchagua wakurugenzi:
 - i) Bi. Agnes N. Odhiambo anastaafu kwa zamu kwa mujibu wa vifungu 92 na 93 vya Ibara za Mikataba ya Makampuni, na kwa sababu anastahili, anajitolea kuchaguliwa tena kama mkurugenzi;
 - ii) Bw. Jimnah M. Mbaru anastaafu kwa zamu kwa mujibu wa vifungu 92 na 93 vya Ibara za Mikataba ya Makampuni, na kwa sababu anastahili, anajitolea kuchaguliwa tena kama mkurugenzi;
 - iii) Bw. Walter Andrew Hollas aliyeteuliwa kuchukua nafasi ya iliyowachwa wazi anastaafu kwa mujibu wa kifungu 115 cha Ibara za Mikataba ya Makampuni na kwa kuwa anastahili, anajitolea kuchaguliwa tena kama mkurugenzi katika Shirika;
 - iv) Bw. Richard K. Langat aliyeteuliwa kuchukua nafasi ya iliyowachwa wazi anastaafu kwa mujibu wa kifungu 115 cha Ibara za Mikataba ya Makampuni na kwa kuwa anastahili, anajitolea kuchaguliwa tena kama mkurugenzi katika Shirika.
6. Kuindhinisha Maamuzi ya Kawaida yafuatayo:
 - i) Notisi Maalum kuambatana na Kifungu 186 (5) cha Ibara za Mikataba ya Makampuni, Sheria 486 katika Sheria za Kenya baada ya kupokewa na Shirika kwa nia ya kuleta mswada wa maamuzi kuwa Bw. Samson K. Kamau ambaye ametimiza umri wa miaka 70 kuteuliwa tena kama Mkurugenzi katika Shirika licha ya yeye kutimiza umri kama huo, kutafakari, na ikiamuliwa kuwa sawa, kuidhinisha maafikio yafuatayo kuwa ni Maamuzi ya Kawaida:

“Kuwa Bw. Samson K. Kamau ambaye ametimiza umri wa miaka 70, aliyeteuliwa kuchukua nafasi ya iliyowachwa wazi anastaafu kwa mujibu wa kifungu 115 cha Ibara za Mikataba ya Makampuni kuwa achaguliwe tena kama Mkurugenzi katika Shirika hadi pale atakapofikia wakati wake wa kustaafu kwa zamu kama ilivyo katika Ibara za Mikataba ya Makampuni ”.



NOTISI YA MKUTANO MKUU WA PAMOJA WA MWAKA (Inaendelea)

- ii) Notisi Maalum kuambatana na Kifungu 186 (5) cha Ibara za Mikataba ya Makampuni, Sheria 486 katika Sheria za Kenya baada ya kupokewa na Shirika kwa nia ya kuleta mswada wa maamuzi kuwa Bw. Peter K. Munga ambaye ametimiza umri wa miaka 70 kuteuliwa tena kama Mkurugenzi katika Shirika licha ya yeye kutimiza umri kama huo, kutafakari, na ikiamuliwa kuwa sawa, kuidhinisha maazimio yafuatayo kuwa ni Maamuzi ya Kawaida:

“Kuwa Bw. Peter K. Munga ambaye ametimiza umri wa miaka 70, na ambaye anastaafu kwa zamu achaguliwe tena kama Mkurugenzi katika Shirika mujibu wa vifungu 92 na 93 vya Ibara za Mikataba ya Makampuni hadi pale atakapofikia wakati wake wa kustaafu kwa zamu kama ilivyo katika Ibara za Mikataba ya Makampuni “

7. Kuidhinisha malipo ya Wakurugenzi ya mwaka unaomalizika tarehe 31 Disemba 2014.
8. Kuchagua wakaguzi wa hesabu Auditors Messrs Deloitte & Touche, kwa mujibu wa kifungu 159 cha Ibara za Makampuni (Kifungu 486) na kuidhinisha wakurugenzi kuamua malipo ya wakaguzi hao.

SHUGHULI MAALUM

9. Kuidhinisha azimio lifuatalo kuwa ni Azimio Maalum “Kuwa jina la Kampuni libadilishwe kutoka British-American Investments (Kenya) Limited na kuwa Britam Holdings Limited”
10. Kutekeleza shughuli nyingine zozote ambazo zimepokewa na kutangazwa kimbele.

Kwa amri ya Bodi ya Wakurugenzi

Nancy K. Kiruki
Katibu wa Shirika
S.L.P 30375 – 00100
NAIROBI

18 Mei, 2015

MUHTASARI:

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

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



NOTISI YA MKUTANO MKUU WA PAMOJA WA MWAKA (Inaendelea)

Ili kukubalika, fomu ya Uwakilishi, sharti ijazwe kikamilifu na mwanachama na kupeanwa kwa Katibu wa Kampuni katika makao makuu yaliyoko Britam Centre, Barabara za Mara/Ragati, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi au ofisi za msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Ghorofa ya 5, Barabara ya Loita, Nairobi, kabla ya saa nne asubuhi, Jumatano ya tarehe 24, Juni 2015, baada ya hapo itakuwa ni batili. Njia nyingine, fomu ya uwakilishi iliyosainiwa inaweza kunakiliwa kwa skani na kutumwa kwa email hadi info@image.co.ke iikiwa kwa mfumo wa pdf. Iwapo ni shirika, fomu ya uwakilishi sharti iwe na muhuri rasmi wa shirika hilo.

Kwa mujibu wa kifungu 151 cha Ibara za Mikataba ya Makampuni, nakala ya Taarifa yote na hesabu za mwaka yaweza kutazamwa katika tovuti ya Kampuni www.britam.co.ke au nakala halisi yaweza kupatikana kutoka ofisi iliyosajiliwa rasmi ya Kampuni, Britam Centre, Barabara za Mara/Ragati, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi au katika ofisi iliyosajiliwa rasmi ya msajili wa hisa za kampuni Shares Registrar, Image Registrars Limited, Barclays Plaza, Ghorofa ya 5, Barabara ya Loita, Nairobi.

2. Kwa mujibu wa kifungu 151 cha Ibara za Mikataba ya Makampuni, nakala ya Taarifa yote na hesabu za mwaka yaweza kutazamwa katika tovuti ya Kampuni www.britam.co.ke au nakala halisi yaweza kupatikana kutoka ofisi iliyosajiliwa rasmi ya Kampuni, Britam Centre, Barabara za Mara/Ragati, Upperhill, Nairobi, S.L.P 30375 – 00100, Nairobi au katika ofisi iliyosajiliwa rasmi ya msajili wa hisa za kampuni Shares Registrar, Image Registrars Limited, Barclays Plaza, Ghorofa ya 5, Barabara ya Loita, Nairobi.
3. Usafiri utatolewa kwa wanahisa kutoka kituo cha mabasi cha Kencom hadi Safari Park Hotel kuanzia saa moja unusu asubuhi hadi saa tatu asubuhi tarehe 26 Juni 2015.

5 YEAR FINANCIAL HIGHLIGHTS

Summary income statement

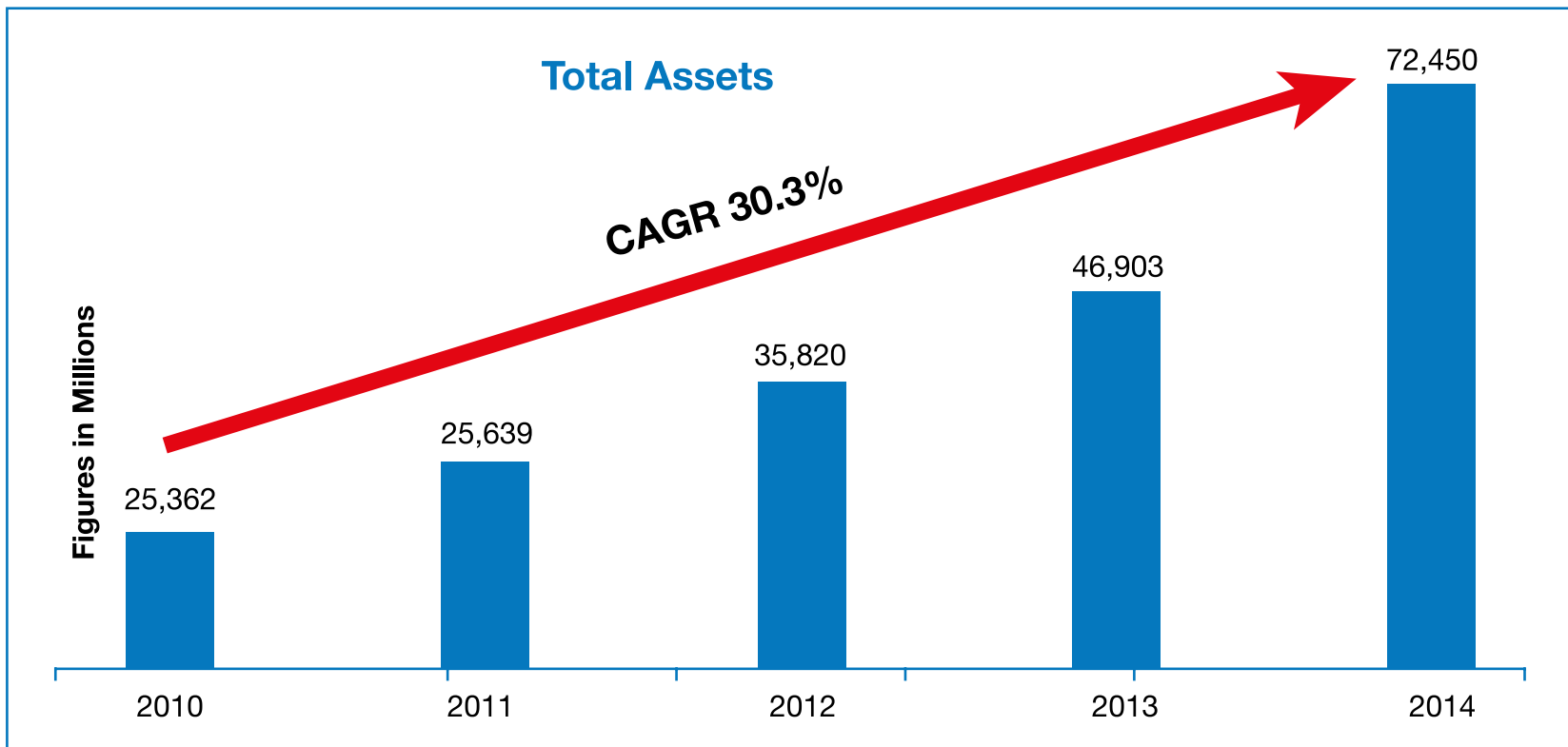
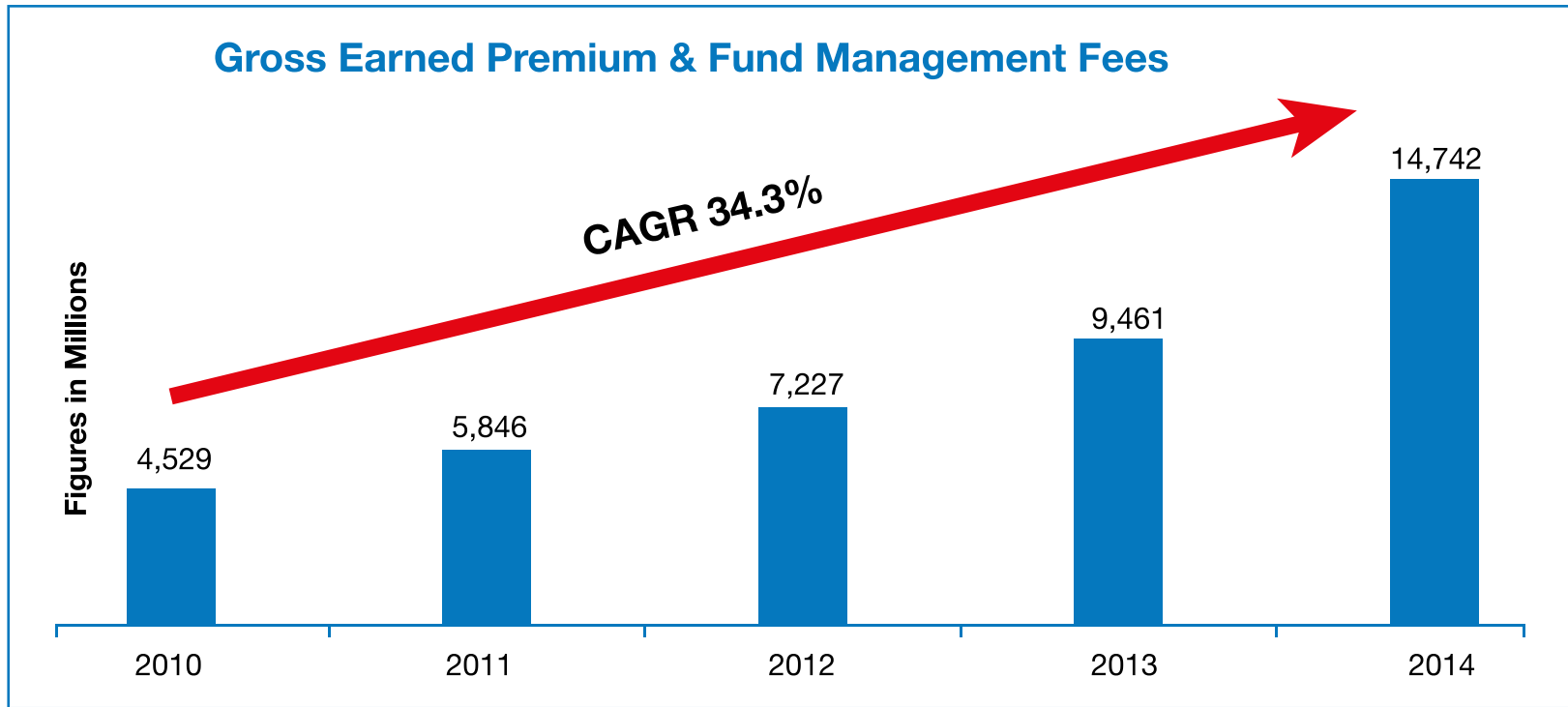
	2014	2013	2012	2011	2010
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Revenues					
Gross earned premium	14,045,772	8,847,166	6,849,692	5,607,621	4,333,428
Net earned premium	11,792,162	7,751,199	5,956,691	4,936,707	3,658,756
Fund management fees	696,056	613,511	377,208	238,315	195,852
Investment income	7,579,436	6,347,732	5,048,662	(2,093,198)	4,684,635
Commissions earned & other income	624,681	417,616	360,823	300,860	429,953
Total revenue	20,692,335	15,130,058	11,743,384	3,382,684	8,969,196
Expenses					
Net insurance benefits and claims	8,023,291	4,902,058	3,669,331	2,999,016	3,124,016
Interest payments/increase in unit value	2,035,986	2,204,587	1,608,828	(765,689)	694,092
Operating and other expenses	4,616,406	3,210,990	2,286,578	1,760,544	1,316,822
Finance costs	350,290	-	-	-	-
Commissions payable	2,712,987	1,873,285	1,476,086	1,192,335	960,677
Total expenses	17,738,960	12,190,920	9,040,823	5,186,206	6,095,607
Share of profit of the associates	259,007	181,685	146,845	79,436	-
Profit before tax	3,212,382	3,120,823	2,849,406	(1,724,086)	2,873,589
Total comprehensive income for the year	6,013,313	3,650,561	3,652,688	(4,186,381)	5,482,882
Earnings per share	1.31	1.21	1.37	(1.01)	1.40

Summary statement of financial position

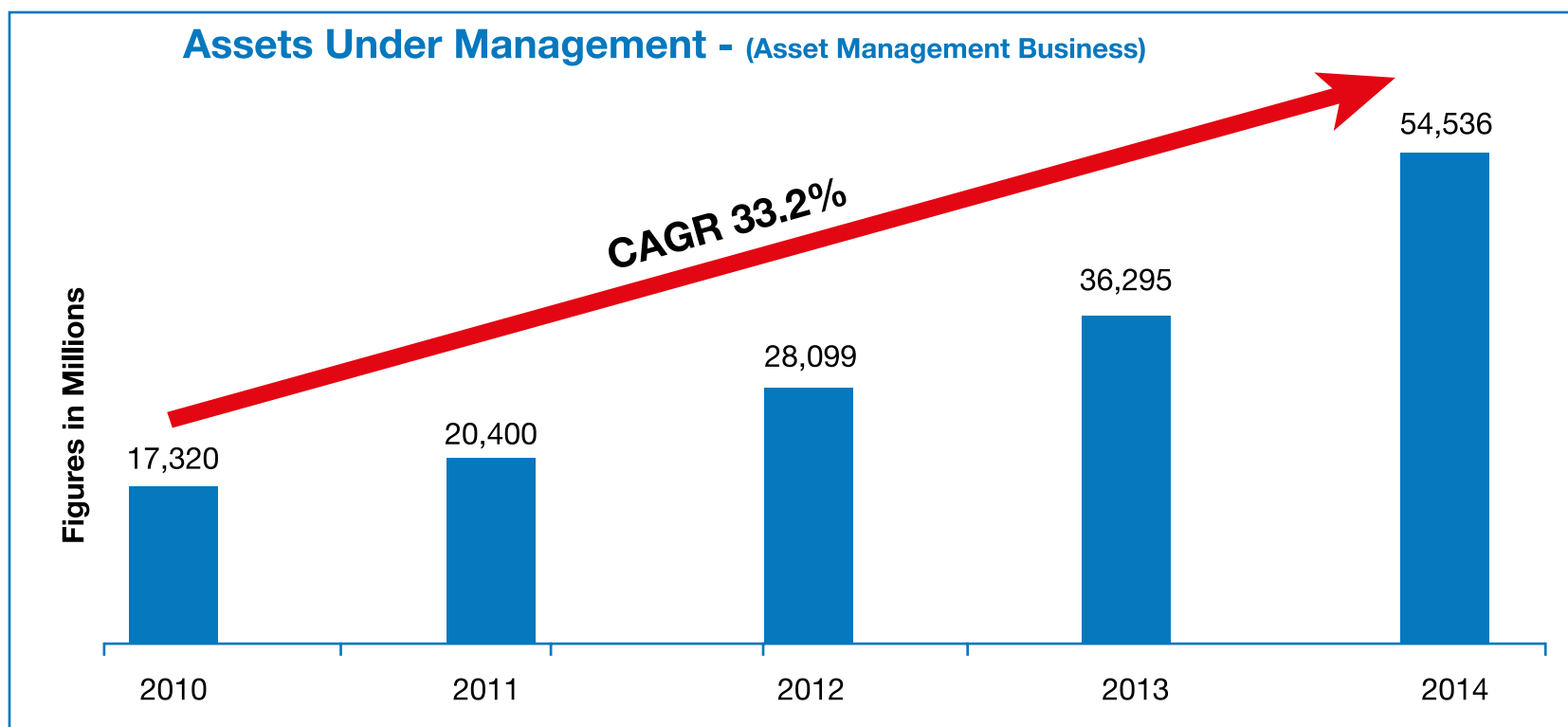
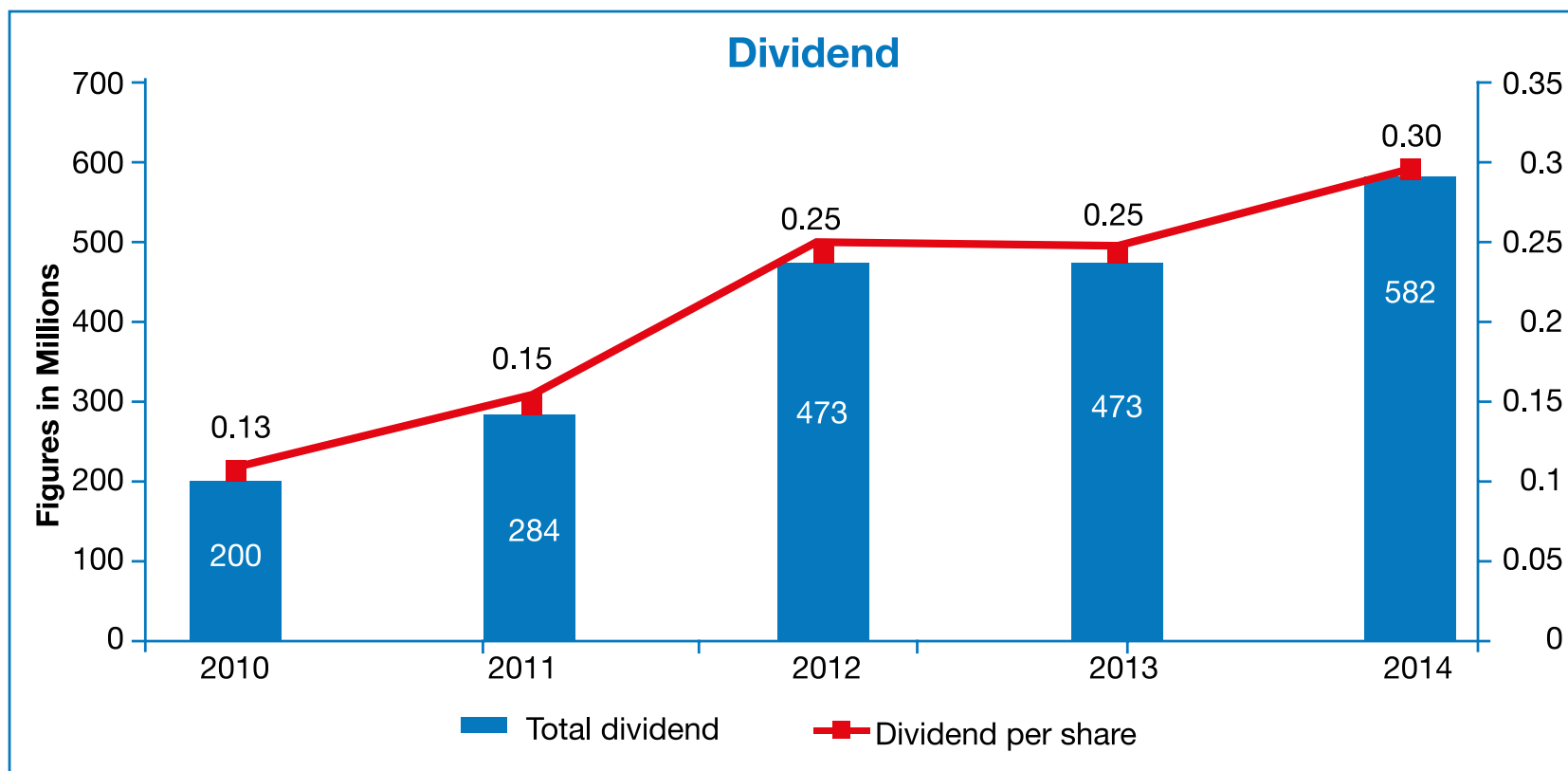
	2014	2013	2012	2011	2010
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Shareholders' funds	21,439,672	14,752,342	10,843,908	8,557,448	10,569,980
Total assets	72,450,354	46,902,578	35,820,165	25,639,244	25,361,917
Total liabilities	51,010,682	32,150,236	24,976,257	17,081,796	14,791,937



5 YEAR FINANCIAL HIGHLIGHTS (Continued)



5 YEAR FINANCIAL HIGHLIGHTS (Continued)



Britam
With you every step of the way



GROUP LIFE POLICY
I AM READY
with Britam



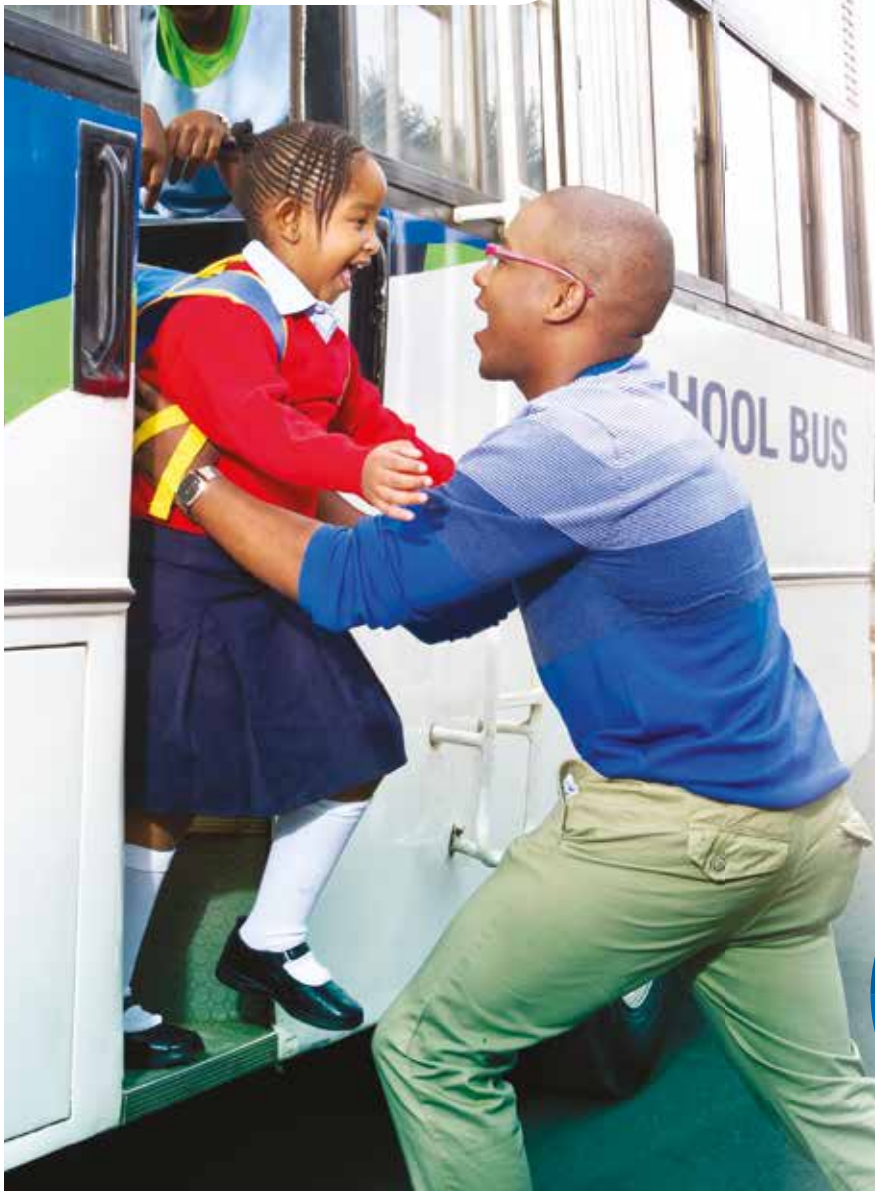
- INVESTMENTS
- INSURANCE
- PROPERTY

www.britam.co.ke [BritamEA](#) [BritamEA](#)

For expert financial advice, call us. **Tel: 0703 094 000**

Britam

With you every step of the way



GROUP LIFE POLICY

I AM READY

with Britam



- INVESTMENTS
- INSURANCE
- PROPERTY

www.britam.co.ke BritamEA BritamEA

For expert financial advice, call us. **Tel: 0703 094 000**



CHAIRMAN'S STATEMENT



AMB. DR. FRANCIS K. MUTHAURA MBS, EGH
CHAIRMAN

Dear Shareholder,

This year Britam is celebrating 50 years of its operations. From humble beginnings as a small home service insurance company, collecting weekly premiums from industrial workers, we have seen our company grow to become a premier financial services group with diverse operations in 7 countries across Africa. I am humbled and privileged, together with the Board of Directors, to usher this great Group into the next exciting phase of its growth.

I am therefore pleased to present to you the Annual Report and Financial Statements for the year ended 31 December 2014 on behalf of the Board of Directors of British-American Investments Company (Kenya) Limited and its subsidiaries.

OPERATING ENVIRONMENT

Political Environment

The political environment in all the countries that the Group operates was generally stable throughout the year but the following challenges are worth noting.

Kenya's 2010 constitution paved the way for a shift in governance, with legislative and executive responsibilities shared between the national government and 47 county governments. We are cognizant of the economic and political potential in this new-look governance structure and we are positive that the current government strategy will unlock the latent potential that is in the counties.

In South Sudan, political risk remains the most salient threat for this young nation as any further deterioration of the security situation could threaten the fragile economic stability and long-term outlook. We remain cautiously optimistic that there will be genuine political reform and a peaceful outcome to the country's ongoing governance challenges.

Mozambique's economy remains one of the most dynamic in the continent, with a 7.7% rate of real gross domestic product (GDP) growth. This is in spite of the political-military low-intensity confrontations between government and the opposition movement particularly in the North. Though the military and political situation is bound to remain uncertain and tense in the short term, Mozambique remains a high potential growth area with positive prospects going forward. The main drivers of growth are foreign direct investment (FDI), focused mostly on the extractive sector, and increasing public expenditure on mega projects in the construction, services, transport and communications sector.

CHAIRMAN'S STATEMENT (continued)

The macroeconomic challenges faced by Malawi were exacerbated by the revelation in September 2013 of the looting of public funds through the Integrated Financial Management System (IFMIS), known as “cash-gate”. The financial scandal continues to dampen the performance of the economy and has underscored the urgent need for the Government of Malawi to redouble efforts to improve accountability and transparency in the public sector. There are positive indications that the new government elected in May 2014 will set a policy direction that attracts foreign direct investments.

MACROECONOMIC ENVIRONMENT

In a year when the world economy grew by 2.6%, the East African Community countries grew at a combined rate of 6.4% up from 6.1% in 2013 which was one of the highest growth rates globally. The growth is attributable to a stable regional macroeconomic environment, with key indicators such as inflation, interest rates and foreign exchange rates remaining stable.

In spite of the generally increased incidences of insecurity and the challenges posed by the implementation of the devolved system of government, Kenya achieved robust GDP growth. GDP growth was recorded at 4.1%, 5.8% & 5.5% for Q1, Q2 and Q3 respectively for 2014, lower than corresponding periods in 2013 of 5.2%, 7.2% and 6.2% respectively. Growth in 2014 was largely supported by improved performance in the construction, financial and insurance, wholesale and retail trade, information and communication, manufacturing, health and agriculture sectors.

Interest rates declined following reduced domestic borrowing by the government, while favourable weather and reduced oil prices led to reduced headline inflation, from a high of 8.36% in August 2014 to 6.02% in December 2014.

The shilling depreciated by 5% for FY 2014, largely due to the slowdown in the tourism sector on the back of travel advisories issued by western governments after security incidents in various parts of the country. The tea sector which is a major foreign exchange earner also experienced significant revenue downfalls towards the end of the year following a glut in the international markets and demand slowdown from traditional markets such as Egypt.

HIGHLIGHTS OF 2014 AWARDS

In 2014, Britam was once again recognized locally and internationally and received several awards, further building the brand visibility and equity of the company. These awards include:

- Association of Kenya Insurers (AKI) Agent of the Year Award for the eighth year running;
- Best Life Insurance Company in Kenya 2014 - World Finance Global Insurance Award;

- QUDAL Quality Medal Award - Best Insurance Company in Kenya. The QUDAL Quality Medal is only awarded to companies which offer consumers the greatest level of quality and Britam is the first Kenyan insurer to receive the global recognition of quality;
- Induction into The Palladium Hall of Fame – Britam is the first company in Africa to be inducted into the prestigious Balanced Scorecard Hall of Fame for excellence in its use of the Balanced Scorecard for executing strategy;
- Company of the Year (COYA) Customer Orientation and Marketing Award 2014;
- Computer Society of Kenya ICT 2014 Excellence Awards;
- Think Business Insurance Awards - Medical Underwriter of the Year 2014; and
- Think Business Insurance Awards Lifetime Achievement Award 2014 - Dr. Benson Wairegi, Group Managing Director.

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

REVIEW OF OUR STRATEGIC INITIATIVES

We successfully completed the third year of our ambitious 5 year strategic plan (2012-2016) in 2014. The year 2013 saw an aggressive local and regional expansion drive which was successfully concluded in 2014. I am pleased to report that during this year, we witnessed the conclusion of 3 key strategic initiatives:

1. Corporate Bond Issue

Britam successfully floated a Shs 6 billion corporate bond, which was oversubscribed by 147 percent, an indication of the confidence that the market has in the Company. The proceeds of the bond are being applied to fund local and regional expansion, property development and increasing our investment in private equity particularly the investment in Housing Finance.

2. Mergers and Acquisitions

As part of its mergers and acquisitions strategy, Britam has completed a number of acquisitions in the recent past. These include; acquisition of Real Insurance Company Limited (REAL), acquisition of additional stake in Housing Finance Company of Kenya Limited (“HF”) and purchase of 25% stake in Acorn Group.



CHAIRMAN'S STATEMENT (continued)

a. Acquisition of Real Insurance Company ("REAL")

I am happy to note that in 2014, our vision and strategy of regional expansion became a reality. Britam today has the largest geographical footprint of any financial services company in the region with offices in seven African countries namely Kenya, Uganda, Tanzania, Rwanda, South Sudan, Malawi and Mozambique following the successful acquisition of Real Insurance Company Limited. The integration of the two companies is on course and is nearing completion.

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

b. Acquisition of additional stake in Housing Finance (HF)

In 2014, the Group acquired Equity Bank's stake in Housing Finance Company of Kenya Limited ("HF"). With this acquisition, Britam now owns 46.04% of HF. Britam and Equity Bank first invested in HF in 2007. HF has benefited greatly over the period, from having two strong strategic investors who have contributed significantly to its performance and growth.

The acquisition is in line with our strategy of targeted acquisitions to support our bancassurance and property strategies. There are significant potential synergies between HF and Britam, which we aim to continue exploiting in order to create significant value for our shareholders.

Going forward, the focus for the Group, under the able leadership of the Group Managing Director, shall be on consolidating our position as a premier Pan-African financial services group, and ensuring full realization of the benefits from these strategic initiatives.

KEY PERFORMANCE HIGHLIGHTS

Ladies and Gentlemen, I am pleased to advise that 2014 was a good year for the Britam Group. This was largely due to a relatively favourable economic environment and the successful implementation of our ongoing business strategy. In summary:

- The Group made a pre-tax profit of Shs 3.2 billion compared to a pre-tax profit of Shs 3.1 billion in 2013 and it achieved comprehensive income of Shs 6.0 billion compared to Shs 3.7 billion in 2013 a growth of 64.7%.
- The Group's gross earned premium and fund management fees increased from Shs 9.5 billion to Shs 14.7 billion during the year, an admirable growth of 55.8% attributable to growth in its core business as well as the acquisition of Real Insurance Company Limited and its subsidiaries.

- Total assets managed by the Group grew by 54.5% from Shs 46.9 billion as at 31 December 2013 to Shs 72.5 billion as at 31 December 2014.
- Clients' Assets under Management (AUM) in the investment and fund management business grew by 50.3% to Shs 54.5 billion, up from Shs 36.3 billion in 2013.

DIVIDEND

The Board of Directors recommends a dividend for the year of Shs 581.5 million (2013: Shs 472.8 million) or 30 cents per share (2013: 25 cents).

BOARD AND GOVERNANCE

We have made good progress in ensuring we have a strong, diverse board with relevant experience to support the Company in delivering its growth strategy, to further strengthen corporate governance and enhance operational strategy execution. In line with this, I am therefore pleased to announce the following appointments to the board of British-American Investments Company (Kenya) Limited.

- Mr. Samson K. Kamau
- Mr. Richard K. Langat

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

FUTURE OUTLOOK

While the global economic growth is expected to improve marginally from 2.6% in 2015, Africa is expected to remain among the fastest growing regions in the world. The International Monetary Fund (IMF) is projecting a growth rate of 6% in 2014 and 2015.

The Kenyan economy is poised for growth, with GDP growth expected to exceed 6% in 2015 following the implementation of various development projects such as the Standard Gauge Railway (which is estimated to increase GDP by 1.5% in 2015), robust Foreign Direct Investment inflows into the energy sector and county developments.

Inflation is expected to remain low in 2015 following the global oil price decline, which is expected to translate into lower electricity and transport costs.

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

CHAIRMAN'S STATEMENT (continued)

ACKNOWLEDGEMENT

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

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



Amb. Dr. Francis K. Muthaura, MBS, EGH
Chairman
24 April 2015



TAARIFA YA MWENYEKITI

Miliki hisa mpendwa,

Mwaka huu Britam inasherehekea miaka 50 tangu kuanzishwa kwake. Kutoka kiwango cha chini ilipoanzishwa kama kampuni ndogo ya huduma za bima, ikikusanya ada ya bima kila wiki kutoka kwa wafanyakazi wa viwandani, hivi sasa tumeshuhudia kampuni hii ikistawi na kuwa shirika la huduma za kifedha linaloongoza likiendesha shughuli mbali mbali katika mataifa 7 kote barani Afrika. Nimejawa na unyeyekevu kwa fursa hii, tukiwa pamoja na Halmashauri ya Wakurugenzi, ya kuongoza Kundi hili kwenye awamu ya kuisimua inayokuja ya ukuaji

Kwa hivyo niko na furaha ninapowasilisha kwenu Ripoti hii Ya Mwaka na Taarifa za Kifedha za mwaka unaomalikia tarehe 31 Disemba 2014 kwa niaba ya Halmashauri ya Wakurugenzi wa Shirika la British-American Investments Company (Kenya) Limited pamoja na kampuni zake tanzu.

MAZINGIRA YA SHUGHULI

Hali ya kisiasa

Hali ya kisiasa kwenye nchi zote ambako Kundi hili linakoendesha shughuli zake kwa ujumla ilikuwa ya utulivu kote mwakani lakini itakuwa muhimu kutaja changamoto kidogo zifuatazo. Katiba mpya ya Kenya ya 2010 ilikuja na mageuzi ya uongozi, kukiwa na ugawaji majukumu ya utungaji sheria na utawala baina ya serikali kuu na serikali 47 za Kaunti. Tunatambua vyema uwezo wa kiuchumi na wa kisiasa unaoweza kuletwa na mfumo huu wenye sura mpya wa kiutawala na tuna matumaini kuwa mfumo huu mpya wa serikali utazindua uwezo uliofichika unaopatikana huko kwenye kaunti.

Katika Sudan ya Kusini, mashaka ya kisiasa yanabaki kuwa tishio kubwa kwa nchi hiyo iliyo change kwa vile kuendelea kuzorota kwa kwokwote kwa hali ya usalama kunaweza kuathiri kuimarika kwa uchumi huo dhaifu pamoja na matarajio yake ya muda mrefu. Tunaendelea kuwa na matumaini yenye tahadhari kuwa kutapatikana mageuzi ya kisiasa ya hakika na kuwoko kwa amani dhidi ya changamoto za uongozi zinazokabili taifa hilo.

Uchumi wa Mozambique unaendelea kuwa miongoni mwa iliyo na uthabiti zaidi katika bara hili, ikiwa na kiasi cha 7.7% cha ukuaji wa Zao Ghafi la Ndani (GDP). Hii ni licha ya kuwoko msukosuko mdogo wa kisiasa na kijeshi baina ya serikali na harakati za wapinzani hasa Zaidi upande wa Kaskazini. Ingawa hali hii ya kijeshi na kisiasa ina uwezekano wa kuendelea kuwa isiotabirika na ya wasiwasi katika iipindi cha muda mfupi, Mozambique bado ni eneo lenye uwezo mkubwa wa kuimarika kukiwa na matumaini ya kustawika tunapoendelea endelea mbele. Vichocheo muhimu vya ukuaji ni uwekezaji wa kigeni wa moja kwa moja (FDI), ikilenga hasa sekta ya uchimbaji maadini, pamoja na kuongezeka kwa matumizi ya serikali katika miradi mikubwa kwenye sekta za ujenzi, huduma, usafiri na mawasiliano.

Changamoto zinazokabili uchumi mkuu wa Malawi ziliongezeka zaidi baada ya kudhirishwa katika mwezi wa Septemba 2013 tukio la uporaji wa fedha za umma kupitia mfumo wa kujimuisha usimamizi wa fedha wa Integrated Financial Management System (IFMIS), maarufu kama “cashgate”. Kashfa hii ya uporaji fedha inaendelea kudidimiza hali ya kiuchumi na ilijhimiza kuwa na haja ya dharuara kwa serikali ya Malawi kuzidisha maradufu juhudi zake za kuboresha uwajibikaji na uwazi katika sekta ya umma. Kuna ishara za matumaini kuwa serikali mpya iliyochaguliwa katika mwezi wa Mei 2014 itaweka sera za uongozi zitakazoweza kuvutia uwekezaji wa kigeni wa moja kwa moja.

Hali ya Uchumi mkubwa

Katika mwaka ambapo uchumi wa dunia ulikuwa kwa kiasi cha 2.6%, ule wa Nchi za Jumuiya ya Afrika Mashariki ulikuwa kwa kiwango kilichojumuisha pamoja cha 6.4% ikipanda kutoka 6.1% ilivyokuwa katika 2013 ambacho ndicho kikubwa zaidi cha ukuaji kote ulimwenguni. Ukuaji huu ulichangiwa na hali imara ya uchumi mkubwa katika jimbo hili, huku dalili muhimu kama vile mfumko wa bei, viwango vya riba na viwango vya ubadilishanaji pesa za kigeni vikiendelea kuimarika.

Licha ya kuongezeka kwa matukio ya ukosefu usalama na changamoto zinazoletwa na utekelezaji wa mfumo wa ugatuzi wa serikali, Kenya ilipata mafanikio imara ya ukuaji wa Zao Ghafi la Ndani (GDP). Ukuaji wa Zao Ghafi la Ndani (GDP) ulirekodiwa katika kiwango cha 4.1%, 5.8% &

5.5% kwenye robo ya 1, 2 na ya 3 mtawalia katika 2014, ikiwa iko chini ya ilivyokuwa muda sawa na huu katika 2013 cha 5.2%, 7.2% na 6.2% mtawalia.

Ukuaji katika 2014 ulisaidiwa pakubwa na kuimarika kwa shughuli za sekta za ujenzi, fedha na bima, biashara ya jumla na rejareja, mawasiliano, uzalishaji, afya na kilimo. Viwango vya riba vilienda chini kutokana na serikali kupunguza kuuitisha mikopo ya humu ndani, huku hali nzuri ya hewa na kupungua kwa bei za petroli kukipelekea uthibiti wa mfumko wa bei, kutoka kiasi cha juu cha 8.36% mwezi wa Agosti 2014 hadi 6.02% katika mwezi wa Disemba 2014.

Shilingi ilipungua thamani kwa 5% katika mwaka wa kifedha wa 2014, hasa zaidi kutokana na kupungua kwa shughuli katika sekta ya utalii kulikosababishwa na ushauri wa kutozuru unaotolewa mara kwa mara na serikali za nchi za magharibi kunapotokea hali utovu wa usalama katika sehemu tofauti tofauti humu nchini. Sekta ya majani chai ambayo huchangia pakubwa mapato kutokana na pesa za kigeni pia ilipata kudorora Zaidi kimapato karibu na kumalizika kwa mwakahuu kutokana na kuzidi kwa bidhaa hiyo katika masoko ya ulimwengu na kupungua kuhitajika kwake katika masoko ya kawaida kama vile Egypt.

TAARIFA YA MWENYEKITI (Inaendelea)

TUZO MUHIMU KATIKA 2014

Katika 2014, kwa mara nyingine Britam ilitambulika hapa nchini na kimataifa na kupatiwa tuzo mbali mbali, hii ikizidisha kuonekana na kufanikisha maslahi ya Shirika hili. Tuzo hizi zinajumuisha zile za:

- Muungano wa Wamiliki mashirika ya Bima yaani Association of Kenya Insurers (AKI) za Wakala Bora wa Mwaka kwa mwaka wake wa nane mfululizo;
- Shirika Bora la Bima ya Maisha hapa Kenya katika 2014 – Tuzo la World Finance Global Insurance Award;
- Medali ya ubora ya QUDAL Quality Medal Award - Shirika Bora la Bima hapa Kenya.

Tuzo hili la ubora la QUDAL Quality Medal hutuzwa tu kampuni zinazotoa huduma za kiwango bora Zaidi kwa wateja wake na Britama ndiyo shirika la kwanza la bima hapa Kenya kutambulika kimataifa kwa ubora;

- Kuingizwa katika orodha ya umashuhuri ya The Palladium Hall of Fame – Britam ndiyo kampuni ya kwanza Afrika kuingizwa kwenye orodha ya umashuhuri iliyo ya kifahari ya Balanced Scorecard Hall of Fame kwa mafanikio yake makubwa ya kutumi kigezo cha ubora cha Balanced Scorecard katika utekelezaji mikakati;
- Shirika Bora La Mwaka (COYA) Tuzo Uelekezaji Wateja na Mauzo la 2014
- Tuzo la ubora la Computer Society of Kenya ICT 2014 Excellence Awards;
- Tuzo la Think Business Insurance Awards - Medical Underwriter of the Year 2014; na
- Tuzo la Think Business Insurance Awards Lifetime Achievement Award 2014 - Dkt. Benson Wairegi, Mkurugenzi Mkuu wa Shirika.

Tuzo hizi zinadhihirisha kujitolea kwa Britam katika kufuatilia ubora na ningependa kupongeza timu ya wasimamizi pamoja na wafanyikazi wetu wote kwa kushinda tuzo hizi na hasa zaidi Mkurugenzi Mkuu wa Shirika, Dkt. Benson Wairegi kwa uongozi wake unaostahili kuigwa; kwa hakika ni kutokana na uongozi wake Shirika hili linaendelea kupata tuzo hizo zenye sifa tele.

MAPITIO YA MIKAKATI YETU MUHIMU

Tulifaulu kukamilisha mwaka wetu wa tatu wa mikakati ya muda wa miaka 5 yenye matarajio makubwa (ya 2012-2016) katika 2014. Mwaka wa 2013 ulikuwa na harakati nyongzi za upanuzi katika eneo hili zilizokamilika kwa mafanikio katika 2014. Nina furaha kuwaripotia kuwa katika mwaka huu, tulishuhudia kukamilika kwa mikakati 3 muhimu katika mipango yetu tuliokusudia:

1. Toleo la Uuzaji hati za dhamana za Shirika

Britam ilifaulu kutoa kuuzwa hati za dhamana za shirika za Shs Bilioni 6, zilizohitajika kupita matarajio kwa asilimia 147, dhihirisho la kuminiwa kwa Shirika hili katika soko. Mapato ya hati hizo za dhamana yanatumika katika kugharamia ukuaji unaoendelea wa humu na wa eneo hili, maendeleo ya ujenzi na kuongeza uwekezaji katika hisa za mashirika binafsi hasa uwekezaji katika shirika la Housing Finance.

2. Muungano na Upataji umiliki

Kama sehemu ya mkakati wake wa muungano na umiliki wa mashirika, Britam imekamilisha umiliki wa mashirika kadhaa hivi karibuni. Hii ikiwa ni pamoja na; umiliki wa shirika la bima la Real Insurance Company Limited (REAL), umiliki na uongezaji hisa zaidi katika shirika la Housing Finance Company of Kenya Limited (“HF”) na ununuzi wa kiasi cha hisa 25% katika Acorn Group.

a. Upataji umiliki wa Real Insurance Company (“REAL”)

Nina luaraja kuwajulisha kuwa katika 2014, malengo na mikakati yetu ya kupanua shughuli katika eneo hili yalithibitika. Leo Britam iko na wayo mkubwa zaidi kuliko shirika lingine lolote la kifedha wa kusambaa kwenye eneo hili ikiwa na maofisi katika nchi saba za Afrika ambazo ni Kenya, Uganda, Tanzania, Rwanda, South Sudan, Malawi na Mozambique hii ni kufauatia kufaulu kumiliki shirika la Real Insurance Company Limited. Ushirikiano wa mashirika haya mawili uko sambamba kimipango na unakaribia kukamilika. REAL inachukuliwa kuwa mwanzilishi wa sekta ya bima ya hapa Kenya ambapo ilianzisha shughuli zake katika 1910. Hutoa huduma zake za bima kupitia matawi yake kumi na tano yaliyoko jijini Nairobi na miji mingine mikubwa hapa Kenya na kupitia kampuni zake tatu tanzu nchini Tanzania, Malawi na Mozambique. REAL vile vile ni mshirika wa mtandao wa ulimwengu wa shirika la RSA (zamani likijulikana kama Royal & Sun Alliance Insurance Group).

b. Ununuzi wa hisa zaidi katika Housing Finance (HF)

Katika 2014, Kundi hili lilionua hisa ziliokuwa zinamilikiwa na Benki ya Equity katika Shirika la Housing Finance Company of Kenya Limited (“HF”). Kwa kupata hisa hizo, sasa Britam inamiliki 46.04% katika HF. Britam na Equity Bank waliwekeza kwanza kwenye HF katika 2007. HF imefaidika mno katika kipindi hiki, kwa kuwa na wawekezaji wawili thabiti ambao wamechangia pakubwa katika ufanisi na ukuaji wake.

Umiliki huu unaambatana na mkakati wetu wa kulenga ununuzi hisa ili kuauni mipango yetu ya bancassurance na rasilimali. Kuna uwezekano mkubwa wa ushirikiano baina ya HF and Britam, ambao tunadhamiria kuendelea kuutumia ili kubuni thamani kwa wanahisa wetu.

Tunapoendelea mbele, malengo ya Kundi hili, chini ya uongozi imara wa Mkurugenzi Mkuu wa Shirika, yatakuwa kuimarisha msimamo wetu kama shirika la kifedha linaloongoza kote Bara Afrika, na huku tukihakikisha manufaa kamili yanapatikana kutokana na mikakati hii.



MAMBO MUHIMU TULIYOFANIKIWA KUTEKELEZA

Mabibi na mbwana, ninamejawa na furaha ninapowajulisha kuwa mwaka wa 2014 ulikuwa mwaka wa mafanikio kwa Shirika hili la Britam. Hii hasa zaidi ilitokana na hali nzuri ya kiuchumi iliyoko na kufanikiwa kwetu kutekeleza mikakati yetu inayoendelea ya kibiashara. Kwa muhtasari:

- Shirika hili lilipata faida kabla kulipa kodi ya Shs Bilioni 3.2 ikilinganishwa na faida kabla ya kulipa kodi ya Shs Bilioni 3.1 katika 2013 na kulipatikana mapato ya kuridhisha ya Shs. Bilioni 6.0 ikilinganishwa na Shs. Bilioni 3.7 za 2013 iki wa ni ukuaji wa 64.7%
- Jumla ya rasilimali zinazosimamiwa na Shirika iliongezeka kwa 54.5% kuanzia Shs Bilioni 46.9 mnamo tarehe 31 Disemba 2013 hadi Shs Bilioni 72.5 mnamo tarehe 31 Disemba 2014.
- Usimamizi wa Rasilimali ya Wateja (AUM) katika kitengo cha biashara ya uwekezaji na usimamizi wa fedha ulizidi kwa 50.3% hadi Shs Bilioni 54.5, ikiongezeka kutoka Shs Bilioni 36.3 katika 2013.

MGAO

Bodi ya wakurugenzi inapendekeza kuwe na mgao kwa mwaka huu wa Shs Milioni 581.5 (2013: Shs Milioni 472.8) au senti 30 kwa kila hisa (2013: senti 25).

BODI NA USIMAMIZI

Tumetimiza maendeleo mazuri katika kuhakikisha tuko na bodi anuwai iliyo na uzoefu unaohitajika kusaidia Kampuni hii kutimiza mkakati wake wa ukuaji, ili kushadidi zaidi usimamizi wa shirika na kuboresha utekelezaji wa mipango. Sambamba na hili, kwa sababu hiyo ninafuraha kuwajulisheni uteuzi ufuatao kwenye bodi ya British-American Investment Company (Kenya) Limited.

- Bw. Samson K. Kamau
- Bw. Richard K. Langat

Nawapongeza wanabodi wenzangu kwa uteuzi huo wao na naamini kuwa mchango wao utapelekea katika kuboresha matokeo mazuri ya Shirika hili.

MTAZAMO KATIKA SIKU ZIJAZO

Huku ukuaji wa uchumi wa dunia ukiatarajiwa kuimarika zaidi kutoka 2.6 katika 2015, Afrika inatarajiwa kuendelea kuwa miongoni mwa maeneo yanayostawi kwa kasi zaidi ulimwenguni. Shirika la Kifedha Duniani (IMF)

linakisia kutakuwa na ukuaji wa kima cha 6% katika 2014 na 2015. Uchumi wa Kenya unatarajiwa kustawi, kukiwa na ukuaji wa Pato Ghafi la Ndani (GDP) linalotazamiwa kuzidi 6% katika 2015 kutokana na kutekelezwa kwa miradi mbali mbali ya maendeleo kama ule wa ujenzi wa reli ya Standard Gauge Railway (mabo unakisiwa kuongeza GDP kwa 1.5% katika 2015), kuimarika kwa Uwekezaji wa Kigeni wa moja kwa moja katika sekta za kawi na maendeleo katika Kaunti. Mfumuko wa bei unatarajiwa kubaki katika kiwango cha chini katika 2015 kufuatia kupungua kwa bei za petroli ulimwenguni, jambo ambalo linatarajiwa kusababisha kupungua kwa gharama za umeme na usafiri.

Tuko na matumaini kuwa hali ya uchumi ambamo tunatekeleza shughuli zetu utaendelea kustawi na kufaidika na hali tulivu ya kisiasa na kutupa mazingira yatakayotuwzesha kutimiza mkakati wetu unaolenga kuifanya Britam kuwa Shirika linaloongoza kwa utoaji Huduma za aina mbali mbali za Kifedha katika eneo lote la Bara Afrika pamoja na kutuwzesha sisi kuendelea kuwasilisha thamani bora kwa wadau wetu wote.

SHUKRANI

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

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



Balozi Dkt. Francis K. Muthaura, MBS, EGH

Mwenyekiti

24 Aprili 2015

GROUP MANAGING DIRECTOR'S STATEMENT



DR. BENSON I. WAIREGI, EBS
GROUP MANAGING DIRECTOR

Dear Shareholder,

I am pleased to present you with a report on the Group's performance for the financial year ended 31 December 2014.

ECONOMIC OVERVIEW

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

In the East Africa Community countries, there has been sustained heavy investment in infrastructure with the development of railway lines, seaports, airports, and road networks. Other interventions have focused on key sectors such as agriculture, energy and tourism.

Tanzania has invested millions of dollars into the construction of a port at Bagamoyo while Kenya has entered into a multi-million dollar deal with the Chinese to construct a Standard Gauge Railway line which will run from Mombasa to Nairobi and later to Malaba on the Kenya-Uganda border. Kenya is also in the process of constructing a second port at Lamu as part of a plan to build a second transport corridor from the Kenya Coast to Uganda, Ethiopia and South Sudan, largely to export the crude oil from these landlocked countries.

The region continues to suffer the impact of the instabilities in Somalia and South Sudan which have led to renewed influx of refugees, terrorism related attacks and a slowdown in the expansion of the regional markets into these two countries.

The region has recently attracted significant foreign direct investment in the oil and gas sectors following the discoveries of gas in Tanzania and oil in Kenya and Uganda. The commencement of oil production will help to finance much needed development expenditure and cushion the countries against current account deficits and inflation pressures associated with the high cost of petroleum products.

Economic activity in Mozambique in 2014 was robust, despite the uncertain security situation and unfavourable weather conditions. The buoyant economy remains driven by mega-projects, predominantly funded by foreign capital, focused on aluminium, extractive industries, and the energy sector. Another continued growth driver has been increased public expenditure primarily benefiting the construction, services, and transport and communications sectors.

GROUP MANAGING DIRECTOR'S STATEMENT (Continued)

Malawi is emerging from two consecutive years of a slowdown in growth caused by exogenous shocks, exacerbated by slippage in macroeconomic policies and suspension of donor budget support. There is optimism that the new government, elected in May 2014, is committed to rebuilding trust in public institutions and bringing the IMF-supported programs back on track. Measures taken in late 2014 have already helped to stabilize the currency. Despite these challenges, the Malawian economy improved in 2014 on account of heavy rains and a bumper harvest to register a growth rate of 6.1%.

STRATEGIC THRUST

Fifty years ago, Britam took its first steps in its journey to bring assurance and peace of mind to the Kenyan people. Our beginnings were humble, and though our operations were small in scale we were big in our thinking and we boldly set our sights on impacting the greater African continent.

Over the last 30 years, we have taken deliberate steps towards realization of these aspirations, with the last 3 years being pivotal in the history of Britam. Britam today is a premier financial services group comprised of an Insurance Group with operations in 7 countries across Africa, an Asset Management Company with assets under management in excess of Shs 50 billion and a Property Company poised to become the leading institutional property developer in the region. Britam also has strategic portfolio investments in 2 leading banking institutions.

Our strategy beyond 2014 therefore seeks to consolidate our position as the leading integrated Pan-African financial services group. We will achieve this through sharpening our focus on four key strategic thrusts, namely, deepening the regionalisation of our business, diversification of our product portfolio, achieving operational efficiency through informational technology and defining the organisation which will enable the next wave of growth.

HIGHLIGHTS OF GROUP PERFORMANCE

Britam is a diversified financial services Group and its performance is the sum total of the performance of the underlying businesses and investment portfolio. We aim to continually deliver sustainable value for our shareholders.

The focused execution and implementation of our strategy, coupled with the strong stock market performance enabled us to deliver strong 2014 results.

GROUP FINANCIAL PERFORMANCE

The Group registered comprehensive income of Shs 6.0 billion, a growth of 65% from Shs 3.7 billion attained in 2013 and a Profit Before Tax of Shs 3.2 billion in 2014 compared to Shs 3.1 billion the previous year.

The performance of the core businesses in the Group was supplemented by a strong performance of the investment portfolio that generated

investment income of Shs 7.6 billion, a growth of 19.4% from Shs 6.3 billion in 2013. Excluding unrealized gains from financial assets at fair value through profit or loss, investment income amounted to Shs 4.1 billion, an increase from Shs 3.4 billion in 2013, which represents a growth of 20.6%.

The financial position of the Group continues to be strong with total Group assets at Shs 72.5 billion compared with 46.9 billion in 2013 a growth of 54.5% and shareholders' funds at Shs 21.4 billion compared with Shs 14.8 billion in 2013.

Insurance Business

The Insurance group registered very strong performance with gross revenue growing by 59% from Shs 8.8 billion in 2013 to Shs 14 billion in 2014. The strong growth is as a result of revenues increase in the legacy Britam operations as well as legacy Real Insurance Group revenues for the 5 months commencing 1 August 2014 when the acquisition was completed.

The Profit Before Tax was suppressed due to the implementation of more stringent reserving guidelines adopted in order to align the legacy Real Insurance Company Limited and its subsidiaries to the methodology used by legacy Britam. Profit Before Tax was therefore Shs 1.84 billion which represents a drop from 2013 profit of Shs 2.37 billion. This profit comprised Life Insurance business profit of Shs 1.46 billion (2013: Shs 1.88 billion) and General Insurance business profit of Shs 375.6 million (2013: Shs 481.9 million).

There continues to be a disproportionate reliance on investment income in the insurance business. However, there are key initiatives currently underway to gain competitive advantage by leveraging on our distribution channels, product development capabilities and deployment of world class technologies to attain operational efficiency.

Asset Management Business

The Asset Management Company registered modest growth in revenue of 13.4% from Shs 614 million in 2013 to Shs 696 million in 2014. During the year the business experienced a setback in the execution of its growth strategy in Alternative Investments segment which resulted in a Profit Before Tax of Shs 141.1 million compared to Shs 244 million in 2013. Despite this setback, I am pleased to note, that due to the resilience and dedication of the highly experienced staff, the strategy is now back on track.

In addition, the Assets Under Management (AUM) grew impressively by 50.3% to Shs 54.5 billion as at the end of 2014 from Shs 36.3 billion in 2013 which demonstrates the confidence the market has in the team and their ability to execute a well-defined strategy to continue to deliver above market returns.

Property Business

Despite some setback in 2014, our real estate strategy is on course

GROUP MANAGING DIRECTOR'S STATEMENT (Continued)

as we strive to expand our product offering while responding to clients' appetite for assets that have more stable and superior returns. We aim to leverage on the significant synergies within the group by tapping into the capabilities and resources in our asset management and insurance businesses as well as affiliated entities like Housing Finance.

Our focus is to develop and deepen our in-house property development capability and capacity to drive the growth agenda in the real estate and property development industry.

Our flagship project, the 31 storey iconic Britam Tower in Upper Hill, Nairobi, whose construction began in October 2013, has progressed well in line with the project plan. This landmark development is expected to be one of the tallest buildings in Africa, and when completed in 2016, will offer Grade A office accommodation.

We are pleased to inform you that the Britam Tower was recognized by the International Property Award, a world-renown mark of excellence, as the most highly recommended high-rise in Kenya in 2014. The International Property Awards seek to celebrate the highest levels of achievement by companies operating in all sectors of the property and real estate industry.

CENTRAL SUPPORT SERVICES AND FUNCTIONS

Information Technology Strategy

Our ambitious IT enabled business transformation project, dubbed 'Project Jawabu' continues to be a key pillar of our 2012 - 2016 strategic plan. We are pleased to report that in 2014 we signed contracts with various system vendors and officially launched phase I of the three-phase project expected to run through to 2017.

Jawabu is expected to enable Britam realise its strategic objectives of growth and increased profitability. Specific business benefits expected from Project Jawabu include; differentiated customer experience, increased efficiency and lower expense ratio, improved management reporting and decision making, product innovation and differentiated intermediary and Financial Advisors experience.

Human Capital and Performance Management Strategy

Britam continues to be a performance and excellence driven organisation. Our goal is to have motivated and engaged staff and an alignment of the Company and individual goals. The Balanced Scorecard methodology continues to be the performance management and strategy execution tool that drives strategic goals and objectives for the Group and the employees.

In October 2014, Britam was inducted in the Palladium Hall of Fame for successful use of the Balanced Scorecard for strategy execution. This induction was made by the creators of the Balanced Scorecard - Dr. Robert Kaplan and Dr. David Norton - in Boston, Massachusetts, USA. Britam is the first Company in Africa to be inducted into the prestigious Balanced Scorecard Hall of Fame.

Britam also participated in the 2014 Deloitte Best Company to Work for Survey in which the Company was recognized for achieving the Deloitte Standard of Excellence Award.

The last five years, we participated in the Organisation Performance Index (OPI) programme 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 in 2014 with the Customer Relationship and Marketing Award.

We are very excited about these awards as they confirm that the steps being taken in continuously improving our processes are aligned to world class standards.

Our employee count grew to 825 staff after the coming on board of staff from Real Insurance Company. Britam currently has 186 staff based in the regional offices and approximately 2,000 financial advisors. The growth in staff numbers was a factor of our regional and local expansion strategy. 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.

Risk Management

Risk is a pervasive part of everyday business and organizational strategy. But the complexity of business transactions, technology advances, globalization, speed of product cycles, and the overall pace of change have increased the volume and complexities of risks facing organizations.

The board and management of Britam has never been more aware of the importance of an effective risk management program than in the last 3 years. In the course of 2014, the board and management of Britam embarked on an in-depth evaluation of its risk management processes under the able guidance of a world-class consulting firm. This evaluation process reviewed the following aspects in relation to the effective management of risk:

Governance: The structure of the board and management was evaluated to ensure that it was organized appropriately to oversee the enterprise risk management program and that the independence of the risk management function and other control functions was appropriately strengthened and resourced.

Policy: The board reviewed the risk management policies to ensure that risk tolerance levels effectively captured the board's overall risk appetite and that there was adequate linkage between risk policies and compensation policies.

Assurance: The board reviewed the assurance processes and the performance metrics for measuring the effectiveness of the enterprise risk management program and the content and structure of board reports as well.



GROUP MANAGING DIRECTOR'S STATEMENT (Continued)

As a result of the above process the board of directors resolved to roll out an enterprise risk management framework across all Britam Group entities in 2015. This framework will be benchmarked against international best practise and will be aligned with the regulatory developments in the insurance industry in all 7 regions as well as in the capital markets.

The board and senior management will therefore deepen their oversight over risk in two key areas: oversight of the enterprise risk programs (risk management process) and oversight of critical risks and risk decisions (risk governance). This includes setting risk appetite and risk tolerances, as well as monitoring strategic risks and related trends.

CORPORATE SOCIAL RESPONSIBILITY

Empowering young people is high up on the list of priorities of the Vision 2030 programmes and developing and supporting young sporting talent is one of the key initiatives. Britam is focused on helping Kenyan football grow and in the year 2014 identified two tangible opportunities to participate in.

The first opportunity was to partner with Mathare United Football Club which was founded in 1994 to help the youth and their families escape poverty in the Mathare slums. The decision to support this team was made upon evaluating the vision, mission and background of the Mathare United team and Britam is excited at the prospect of working together to grow sporting talent and nurture economic empowerment.

The second opportunity was to partner with Sports Kenya and the Government to upgrade and maintain sports facilities. To this end Britam was granted the rights to brand and maintain Kenya's second largest sporting facility, Nyayo National Stadium.

Britam also engaged in various other activities as part of its corporate social responsibility. These activities included contributing to the First Lady HE Margaret Kenyatta's "Beyond Zero Campaign" and the construction of eight classrooms at the Olympic Primary School in Kibra, Nairobi. The extra classrooms are expected to accommodate an additional 300 students in the school.

Towards the end of 2014, the Group established Britam Foundation, the vehicle through which the Group will carry out its corporate social responsibility activities. The key objective of the Foundation is to enrich the lives and livelihoods of the less fortunate and marginalized people throughout Eastern Africa in a sustainable manner and to provide a sustainable solution to their recurring problems.

FUTURE PROSPECTS

We continue to implement our strategy and prepare the Group for the next phase of growth. We expect to begin to realize the benefits of our investment in superior technology, human capital management and risk management soon. This will be evidenced by an increase in the contribution of core business activities to the profit of business.

We have embarked on an exercise to review our organisation design to enable growth which will be rolled out in 2015. This new design involves re-orienting the Group corporate centre into a strategic controller and empowering the business units to be more responsive to their operating environments. We are also harmonizing the operations in our subsidiaries and across our proprietary distribution network, which remains a key competitive advantage. All these initiatives are reflective of our organisation motto "One Company, One Brand" and will unlock the latent synergies and potential of the group.

We expect to see growth in the Eastern and Southern Africa region as most of the economies benefit from a natural resource boom, strong internal demand from a rapidly growing middle class, increased spending on infrastructure, robust foreign direct investments and Diaspora remittances.

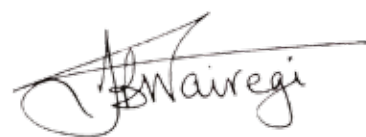
In Kenya, which remains the Group's key market, GDP growth is expected to exceed 6% following the implementation of various development projects such as the Standard Gauge Railway, increased investments in roads and the lower energy costs.

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

ACKNOWLEDGEMENT

The good 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 to help them achieve and exceed their financial security and investment objectives.

I would also like to express my gratitude to the Board, Management Team, Staff and Financial Advisors for their hard work, loyalty, dedication and commitment to the organization 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.



Dr. Benson I. Wairegi, EBS
Group Managing Director
24 April 2015

TAARIFA YA MKURUGENZI MKUU

Mpendwa Mwenyehisa,

Nina furaha kukuwasilishia ripoti kuhusu utendakazi na mapato ya kampuni hii mwaka wa fedha unaomalizikia tarehe 31 Disemba 2014.

TATHMINI YA UCHUMI

Utendakazi wa kampuni hii kiuchumi hutegemea sana mazingira imara ya kisiasa na uchumi uliopanuka katika masoko tunakoendesha shughuli zetu. Katika nchi za eneo la Jumuiya ya Afrika Mashariki kumeshuhudiwa uwekezaji mkubwa katika muundo-msingi kukiwa na maendeleo kwenye Nyanja ya reli, bandari, viwanja vya ndege na mtandao wa barabara. Utekelezaji mwingine ulilenga sekta muhimu kama vile kilimo, kawi na utalii..

Tanzania imewekeza mamilioni ya dola katika ujenzi wa bandari ya Bagamoyo huku Kenya nayo ikifanya mkataba na wa mamilioni ya dola wa Uchina kufanya ujenzi wa reli ya Standard Gauge Railway itakotoka Mombasa hadi Nairobi na hatimaye hadi Malaba mpkani wa Kenya na Uganda. Kenya vile vile iko katika mchakato wa ujenzi wa bandari ya Lamu kama sehemu moja ya mpango wa ujenzi wa ukanda wa pili wa usafiri kutoka Pwani ya Kenya hadi Uganda, Ethiopia na Sudan Kusini, hasa Zaidi kwa minajili ya kusafirisha nje mafuta yasiyosafishwa kutoka kwa nchi hizi zisizokuwa na bandari.

Eneo hili linaendelea kukabiliwa na athari za ukosefu wa Amani katika nchi za Somalia na Sudan Kusini kunakosababisha kuingia kwa wingi kwa wakimbizi, masahmbulizi ya kigaidi na kupungua kwa ukuaji wa kuenea kwa masoko ndami ya nchi hizi mbili.

Hivi karibuni eneo hili limevutia uwekezaji mkubwa wa moja kwa moja wa kigeni katika sekta za petroli na gesi kufuatia ugunduzi wa gesi nchini Tanzania na mafuta nchini Kenya na Uganda. Kuanzishwa kwa uzalishaji wa mafuta kutasaidia kupatikana kwa fedha zinazohitajika mno za kugharamia maendeleo na kulinda nchi hizi dhidi ya mapungufu katika akaunti na shinikizo la mfumko wa bei kutokana na gharama za juu za bidhaa za petroli.

Shughuli za kiuchumi nchini Mozambique katika 2014 ziliimarika, licha ya kuweco kwa hali isiotabirika ya kiusalama na hali mbaya ya hewa. Hali hii ya uchumi unaoelea ni kutokana na miradi mikubwa, hasa zaidi ile inayofadhiliwa na mtaji wa kigeni, ikizingatia hasa sekta uchimbuaji wa maadini ya aluminium, na pamoja na sekta ya kawi. Kichocheo kingine cha ukauji kimekuwa kuongezeka kwa matumizi ya serikali kimsingi yakinufaisha sekta za ujenzi, huduma na usafiri na mawasiliano.

Malawi inafufuka kutoka miaka miwili ya kufifia ukauji wake kuliosababishwa na mashaka kutoka nje, na kuzidishwa na kudorora kwa sera za uchumi mkuu na kusitishwa kwa msaada kutoka msaada wa kifedha kutoka kwa wahisani. Kuna matumaini kuwa serikali mpya iliyochaguliwa mnamo mwezi wa Mei 2014, imejitolea kujenga upya uamnifu baina yake na asisi za umma

na kurudisha tena mipango ya ufadhili wa shirika la IMF kama ilivyokuwa. Hatua zilizochukuliwa katika mwisho wa 2014 zimesaidia moja kwa moja katika uimarishaji wa sarafu ya nchi. Licha ya kuwepo kwa changamoto hizi, uchumi wa Malawi uliimarika katika 2014 kwa sababu ya mvua kubwa na mavuno makubwa yaliopatikana hadi kuleta ukuaji wa kima cha 6.1%.

MSUKUMO WA KIMKAKATI

Miaka hamsini iliyopita, Britam ilipiga hatua zake za kwanza katika safari yake ya kuleta uhakika na utulivu wa akili kwa watu wa Kenya. Mwanzo wetu ulikuwa wa unyenyekevu, na hata vile shughuli zetu zilikuwa za kiwango kidogo tulikuwa na mipango mikubwa kwenye maono yetu na kwa ukakamavu tuliangazia katika kuathiri Bara lote la Afrika. Kwa muda wa miaka 30 iliyopita tumekuwa tukichukua hatua za kukusudia za kutupelekea kwenye ufanisi wa matarajio haya, ikiwa miaka 3 iliyopita ndiyo iliyokuwa ya umuhimu katika kumbukumbua ya Britam. Britam leo ndiyo shirika linaloongoza la huduma za kifedha ikujumuisha Shirika la Bima lenye kuendesha shughuli zake katika mataifa 7 kote barani Afrika, Shirika la Usimamizi wa Rasilimali linasimamia rasilimali zinozidi thamani ya Shs Bilioni 50 billion na Kampuni ya Ujenzi Majumba iliyo tayari kuwa inayoongoza katika biashara ya ujenzi kwenye eneo hili.

Britam vile iko na mkakati thabiti katika mseto wake wa uwekezaji katika biashara ya benki 2 zinazoongoza. Kwa hivyo mkakati wetu hata baada ya 2014 unafuatilia kujumuisha nafasi yetu kama shirika linaloongoza katika utoaji huduma anuwai za kifedha kote Barani Afrika. Haya tutakeleza kupitia kuhuisha malengo yetu katika msukumo wa mikakati minne muhimu, tukiitaja, kuongeza juhudi zetu za kufanya biashara yetu iwe ya kieneo, kuongeza mseto wa bidhaa zetu tunazotoa, kufanikisha utandaji bora wa shughuli kupitia matumizi ya teknolojia ufafanuzi wa shirika mabao utawezesha wimbi lijalo la ukuaji.

MAFANIKIO MUHIMU YA SHIRIKA

Britam ni Shirika la kutoa huduma anuwai za kifedhana matokeo ya utandaji wake yanategemea jumla ya mseto wa kiini cha biashara zake na uwekezaji wake. Tunanua kuendelea kuwasilisha thamani kwa wamiliki hisa wetu. Umakini wa kushughulikia na kutekeleza mikakati yetu, ikiwa pamoja na nguvu ya utandaji katika soko la hisa kulituwzesha kupata mafanikio imara katika matokeo yetu ya 2014.

MATOKEO YA KIFEDHA YA SHIRIKA

Shirika lifanikiwa kupata mapato ya kina ya Shs Bilioni 6.0, ukiwa ni ukuaji wa 65% kutoka Shs Bilioni 3.7 ulifikwa katika 2013 na Faida kabla ya Kulipa Kodi ya Shs Bilioni 3.2 katika 2014 ikilinganishwa na Shs Bilioni 3.1 katika uliotangulia. Matokeo ya biashara yetu ya msingi katika Shirika yaliongezewa nguvu utandaji wake wa mseto wa uwekezaji uliyotokana na

TAARIFA YA MKURUGENZI MKUU (Inaendelea)

mapato ya uwekezaji ya Shs Bilioni 7.6, ukuaji wa kima cha 19% kutoka Shs Bilioni 6.3 katika 2013. Ukiiondoa faida ambayo bado haijafika kutoka kwa rasilimali za kifedha kwa thmani iliyo sawa kupitia faida au hasara, mapato ya uwekezaji yalifikia Shs Bilioni 4.1, ikiwa ni ongezeko kutoka Shs Bilioni 3.4 katika 2013, ambayo inawakilisha ukuaji wa kima cha 20.6%. Hali hii ya kifedha ya Shirika inazidi kuimarika kukiwa na jumla ya rasilimali za Shirika ya kiasi cha Shs Bilioni 72.5 ikilinganishwa na Shs. Bilioni 46.9 katika mwaka wa 2013 ukiwa ni ukuaji wa 54.5% na fedha za wamiliki hisa zikiwa Shs Bilioni 21.4 ikilinganishwa na Shs Bilioni 14.8 katika 2013.

Biashara ya Bima

Shirika la bima liliwasilisha matokeo imara kabisa huku jumla ya mapato ghafi ykizidi kwa 59% kutoka Shs Bilioni 8.8 katika 2013 hadi Shs Bilioni 14 katika 2014. Ukuaji huu thabiti ulitokana na kuongezeka kwa mapato ya urathi kwa shughuli za Britam pamoja na shughuli za urathi wa shirika la Real Insurance yakiwa ni mapato miezi 5 kuanzia tarehe 1 Agosti 2014 wakati ule shughuli za umilikaji zilipokamilika. Faida hi ya kabla kulipa kodi ilizimwa kutokana na utekelezaji wa muongozo wenye masharti magumu wa kutenga uliochukuliwa ili kufunaamanisha urithi wa shirika la Real Insurance Company Limited na kampuni zake tanzu kwenye utaratibu uliotumika kwa urithi wa Britam. Faida Kabla ya Kulipa Kodi ilikuwa Shs Bilioni 1.84 ambayo inawakilisha kupugua kutoka kwa faida ya 2013 ya Shs Bilioni 2.37. Faida hii inajumuisha biashara ya Bima ya Maisha faida ya Shs Bilioni 1.46 (2013: Shs Bilioni 1.88) na Biashara ya Bima ya kawaida ya Shs Milioni 375.6 (2013: Shs Milioni 481.9). Kunaendelea kuwoko kwa uwekezaji mapato kwa uwiano usiyo wa kutegemea kwenye biashara ya bima. Hata hivyo, kuna mipango muhimu iliyoko kwa sasa ya kutekelezwa ili kupata fursa ya ushindani kwa kutumia mtandao wetu wa usambazaji, uwezo wa ukuzaji wa bidhaa na kutumika kwa teknolojia ya haadhi ya kimataifa ili kutimiza ufanisi katika utekelezaji.

Biashara ya Usimamizi Rasilimali

Kampuni ya Usimamizi wa Rasilimali ilipata ukuaji wa kawaida katika mapato wa 13.4% kutoka Shs. milioni 614 katika 2013 hadi Shs milioni 696 katika 2014. Katika mwaka huo biashara hiyo ilipatwa na kikwazo katika utekelezaji wa mipango yake ya ukuaji wa kitengo cha Uwekezaji Mbadala iliyosababisha Faida Kabla ya kulipa Kodi ya Shs milioni 141.1 ikilinganishwa na Shs milioni 244 katika 2013. Licha ya kikwazo hiki, nina furaha kutambua, kuwa kutokana na ukakamavu na kujitolea kwa wafanyikazi wetu wenye uzoefu mkubwa, mpango huu umerudi kwa hali yake ya kawaida kwa kima cha 50% hadi Shs Bilioni 54.5 ilipofika mwisho wa 2014 kutoka Shs Bilioni 36.3 katika 2013 hii ikidhihirisha kuaminika kwa timu yetu katika soko na uwezo wao wa kutekeleza Makati uliofananuliwa vyema ili kuendelea kuwasilisha faida iliyo juu katika soko.

BIASHARA YA UJENZI WA MAJUMBA

Licha ya kuwoko kwa vikwazo katika mwaka wa 2014, mkakati wetu wa biashara ya majumba uko kwenye mkondo wakati tunapojitahidi kupanua mseto wa bidhaa zetu huku tukifutailia kukidhi mahitaji wateja wetu ya kuwa

na rasilimali zilizo na faida imara zaidi za kutegemewa.

Tuko na nia ya kutumia kama nyenzo ushirikiano madhubuti ulioko ndani ya Shirika kwa kutumia uwezo na rasilimali katika usimamiziwetu wa mali zetu na wa biashara ya bima pamoja na mashirika mengine husika kama vile Housing Finance.

Msimamo wetu ni kukuza na kutumia zaidi uwezo wetu wenyewe wa usimamizi wa majumba na uwezo wa kuendesha ajenda ya ukuaji katika biashara ya ujenzi wa majumba.

Mradi wetu wa kuongoza, wa ujenzi wa jumba la ghorofa 31 la Britam Tower kule Upper Hill, Nairobi, ambalo ujenzi wake ulianza katika mwezi wa Oktoba 2013, na unaendelea vizuri kumbatana na ilivyopangwa. Ujenzi huu wa kihistoria unatarajiwa kuwa moja ya majumba marefu zaidi katika Afrika, na litakapokamilika katika mwaka wa 2016, litakuwa na ofisi za daraja la A.

Tuna furaha kuwajulisha ya kwamba Britam Tower imetambulika na tuzo la majumba la kimataifa la International Property Award, kigezo cha ubora kinachotambulika zaidi kote ulimwenguni, kuwa hili ni jumba la ghorofa linalopendekezwa zaidi hapa Kenya katika mwaka wa 2014. Tuzo hili la majumba bora la International Property Awards linafuatilia kusherehekea matokeo ya kiwango cha juu zaidi ya mashirika yanayoendesha shughuli katika sekta zote za ujenzi wa majumba na usimamizi wa majengo.

HUDUMA ZA KUSAIDIA NA KUTEKELEZA SHUGHULI

Mkakati wa teknolojia ya mawasiliano

Mradi wetu muhimu wa teknolojia ya mawasiliano wa kuwezesha mageuzi katika biashara, ujulikanao kama 'Project Jawabu' unaendelea kuwa nguzo muhimu ya mkakati wetu wa 2012 - 2016.

Tuna furaha kuwaripotia kuwa katika mwaka wa 2014 tulitia siani mikataba na mashirika mbali mbali ya kuuza mitambo na kuzindua rasmi awamu ya kwanza mradi wa awamu tatu unatarajiwa kutumika hadi 2017. Jawabu inatarjiwa kuwezesha Britam kufikia malengo ya mkakati wa ukuaji na kuongeza upataji faida. Mafanikio hasa ya kibiashara yanatarjiwa kutokana na Mradi wa Jawabu ni pamoja na; utoshelezaji anuwai wa wateja,

Utendakazi mzuri na kupungua kwa uwiano wa gharama, kuboreshwa kwa usimamizi wa utoaji habari na uamuzi, bidhaa bunifu na ushauri wa kutofautisha wa kifedha.

Mkakati wa Usimamizi wa Wafanyikazi na Utendajikazi

Britam inaendelea kuwa shirika linaloongozwa na utendaji kazi na ubora.

Malengo yetu ni kuwa na wafanyikazi wenye motisha na wanaotekeleza majukumu na waliyo sambamba malengo ya Shirika hili na ya kibinafsi.

TAARIFA YA MKURUGENZI MKUU (Inaendelea)

Mfumo wa kigezo wa Balanced Scorecard unaendelea kuwa kifaa cha kutathmini utejelezaji wa usimamizi na mkakati unaochochea kutekelezwa kwa malengo ya mipango na maono ya Shirika hili na wafanyikazi. Katika Oktoba 2014, Britam iliingizwa katika Ukumbi wa Umaarufu wa Palladium Hall of Fame kwa kufaulu kutumia mfumo wa kigezo cha ubora cha Balanced Scorecard kwa utekelezaji mipango. Kuingizwa huku kulifanywa na walionzisha mfumo huu wa Balanced Scorecard – Dkt. Robert Kaplan na Dkt. David Norton – huko Boston, Massachusetts, Marekani. Britam ndiyo kampuni ya kwanza hapa Afrika kuingizwa kwenye ukumbi huu wa kusifika wa umaarufu wa Balanced Scorecard Hall of Fame.

Britam pia ilishiriki katika Utafiti wa 2014 wa Deloitte Best Company to Work for ambapo Kampuni hii ilitambulika kwa kushinda tuzo hilo la Deloitte Standard of Excellence Award.

Miaka mitano iliyopita, tulishiriki katika mipango wa ripoti ya Organisation Performance Index (OPI) ambacho ni kifaa cha kutathmini tnmama ya usimamizi kwa kutumia vipimo mbali mbali. Mpango huu unasimamiwa na taasisi ya Kenya Institute of Management (KIM) na Britam was iliheshimiwa na kutambuliwa katika 2014 kupatiwa tuzo la uhusiano mwema na wateja na mauzo la Customer Relationship and Marketing Award. Tuko na msisimko mkubwa juu ya kupaya tuzo hizi zote kwa vile zinathibitisha kuwa hatua tunazochukua zinaendelea kuboresha mifumo yetu na iko sambamba na ile ya viwango vya kimataifa.

Idadi ya wafanyikazi wetu iliongezeka hadi kufikia wafanyikazi 825 staff baada kujiunga nasi kwa wafanyikazi wa Kampuni ya Real Insurance Company. Britam hivi sasa iko na wafanyikazi 186 wanaofanya kazi katika ofisi zake za eneo hili na takriban washauri 2,000 wa kifedha. Ongezeko hili la idadi ya wafanyikazi ilikuwa sababu ya mkakati wetu wa upanuzi katika eneo na humu nchini.

Tunaendelea kuwekeza katika wafanyikazi wetu kupitia mafunzo ya uongozi, kiufundi na mafunzo ya kidogo ya ujuzi na maendeleo ili kuwahami wafanyikazi wetu na uhodari wa kutosha.

Usimamizi wa Dhima wa Shirika

Ni miongoni wa sehemu inayoenea katika shughuli za kila siku za biashara yoyote na mkakati wa uongozi. Lakini, utata wa shughuli za kibiashara, maendeleo ya kiteknolojia, utandawazi, kasi ya mzunguko wa maisha ya bidhaa, na kasi ya mabadiliko kwa ujumla hizi zimeongea wingi na utata wa dhima zinazokabili mashirika. Bodi ya wakurugenzi na Wasimamizi wa Britam hawajawahi kuwa na ufahamu zaidi kama huu wa usimamizi bora wa mipango wa usimamizi dhima kama ilivyokuwa katika kipindi cha miaka 3 iliyopita. Katika kipindi cha mwaka wa 2014, Bodi ya wakurugenzi na Wasimamizi wa Britam wakiingia kwa kina kutathmini michakato yake ya usimamizi dhima chini ya ushauri imara wa kampuni ya daraja ya kimataifa.

Mchakato huu kutathmini ulikariri mambo yafuatayo yanayohusu njia bora za usimamizi dhima:

Usimamizi: Muundo wa bodi na wasimamizi ulitathminiwa ili kuhakikisha umepangwa ifaavyo ili kuteua watu na kutilia nguvu mpango wa usimamizi dhima ya shirika na kuwa uhuru wa katika kazi ya usimamiziwa dhima ya shirika pamoja na hatua zingine za uongozi.

Sera: Bodi ilipitia upya sera za usimamizi dhima ili kuhakikisha kuwa viwango vya uvumilivu wa dhima vinathibitiwa barabara katika mkakati kamili wa bodi wa kusimamia dhima na kuwa muamala wa kutosha baina ya sera za dhima na za ridhaa.

Hakikisho: Bodi ilikariri upya mifumo ya hakikisho na utendaji kwa minajili ya kutathmini utekelezaji bora wa mipango ya usimamizi dhima ya biashara pamoja na yaliyomo kwenye mfumo wa bodi kuripoti pia.

Kutokana na mifumo hii iliyotajwa hapo juu Bodi ya wakurugenzi iliazimia kuzindua muundo wa usimamizi dhima ya shirika kote katika makampuni yote ya Kundi la Britam katika 2015. Mfumo huu utatiliwa kigezo kwa kulinganishwa utendaji wa shughui hii katika ngazi ya kimataiofa na utawekwa sambamba na maendeleo ya uthibiti kanuni katika sekta hii ya biashara ya bima katika maeneo yote 7 pamoja pia na masoko ya mtaji. Kwa hiyo Bodi hii na Wasimamizi wakuu wataongeza mtazamo wao katika kuongoza usimamizi dhima katika maeneo mawili muhimu: usimamizi wa mipango ya uthibiti wa dhima (mfumo wa kuthibiti dhima) na usimamizi wa dhima muhimu na maamuzi kuhusu dhima (usimamizi wa dhima). Hii inajumuisha kuweka mahitaji ya dhima na uvumilivu wake, pamoja na kuchunguza mikaka na miendendo inayohusu dhima.

KUWAJIBIKA KWA SHIRIKA KATIKA JUMUIYA

Kuwapa uwezo vijana ndiyo jambo linaloongoza katika orodaha ya yalo muhimu katika Malengo ya mipango ya 2030 na kukuza vipwa vya vijana ndiyo moja ya mipango tunayoipa kipa umbele hapa.. Britam ina msimamo wa kusaidia kukuza mchezo wa kandanda hapa Kenya na katika mwaka wa 2014 ilichagua fursa mbili za kushiriki ili kutimiza dhamira hiyo.

Fursa ya kwanza ilikuwa kufanya ushirikaino klabu ya kandanda ya Mathare United Football Club kilichoanzishwa kaika mwaka wa 1994 ili kiusaidia vijana kuhepuka hali ya umaskini iliopo katika sehemu ya makazi duni ya Mathare. Uamuzi wetu wa kuunga mkono timu hii ilitokana na tathmini ya maono, dhamira na historia ya klabu ya Mathare United na Britam inasisimuliwa na kupata nafasi ya kufanya kazi pamoja na kukuza talanta yao na kulea uwezo wa kujijendeleza kiuchumi.

Fursa ya pili ilikuwa ushirikiano na Sports Kenya na Serikali katika kukuza michezo kwa kukarabati mahala kwa michezo. Kwa ajili ya hii Britam ilipatiwa haki ya kuweka chapa na kudumisha hali ya uwanja mkubwa zaidi hapo Kenya wa michezo, Nyayo National Stadium.

Britam vile vile ilihusika katika shughuli mbali mbali za kuhusu michezo kama moja ya hatua yake ya kama shirika kuwajibika katika jumuiya. Shughuli hizi ni pamoja na kuchangia harakati za mke wa rais, Mheshimiwa Margaret

TAARIFA YA MKURUGENZI MKUU (Inaendelea)

Kenyatta uitwao “Beyond Zero Campaign” na ujenzi wa madarasa nane katika shule ya msingi ya Olympic Primary School iliyoko Kibra, Nairobi. Madarasa haya ya ziada yanatarajiwa kutumiwa na wanafunzi waliozidi katika shule ambao idadi yao ni 300.

Karibu na kumalizika mwaka wa 2014, Kundi hili lilianzisha taasisi ya ufadhili ya Britam Foundation, chombo ambacho kitatumiwa kutupelekea kufanikisaha shughuli zetu za kuwajibika kama shirika katika jumuiya. Malengo makuu ya mpango huu ni kuimarisha maisha na vipato vya wale walio wanyonge na masikini kote katika Afrika ya Mashariki kwa njia ambayo ni ya kudumu na kutoa suluhisho thabiti kwa matatizo haya yanyoibuka mara kwa mara.

MATARIJIO YA SIKU ZIJAZO

Tunapoendelea kutekeleza mikakati yetu na kutayarisha Shirika hili kukabili awamu inayofuata ya ukuaji. Tunatarajia hivi karibuni kuanza kuona natija na faida ya uwekezaji wetu katika teknolojia zilizo bora zaidi, usimamizi wa wafanyikazi na uthibiti wa dhima ya shirika. Hili litadhihirika pale tutaposhuhudia ongezeko katika uletaji faida kwa shirika kutokana na shughuli za biashara yetu asili.

Tumeanzisha mpango wa kutathmini muundo wa shirika hili ili kuwezesha ukuaji, mpango ambao utazinduliwa katika 2015. Muundo huu mpya unahusisha uanzishaji upya kituo cha Kundi la Shirika hili kuwa msimamizi kimkakati na kutoa uwezi kwa vitengo vya biashara kuitika zaidi kwa mahitaji ya mazingira wanakoendesha shughuli zao.

Vile vile tunaonisha shughuli za matawi yetu na kote katika mfumo wetu wa usamabazaji, ambao ndiyo shina la uwezo wetu. Mipango hii yote inaakisia kauli mbiu ya shirika letu ya “One Company, One Brand” na itafungulia mahusiano na uwezo wa kundi.

Tunatarajia kushuhudia ukuaji katika eneo la Mashariki na Kusini mwa Afrika wakati ambapo chumi nyingi za mataifa haya zimefaidika kutokana na ugunduzi wa mali ya asili, kuongezeka kukubwa kwa mahitaji ya watu kutokana na kusitika kiuchumi kwa watu wa mapato ya kati, kuongezeka kwa maendeleo ya kustawisha muundo msingi, uwekezaji imara wa moja moja kutoka nje na pesa zitumwazo kutoka nchi za nje.

Katika Kenya, ambapo ndilo soko kuu la Shirika hili, ukuaji wa amablo linabaki kuwa soko kuu la Shirika hili, ukuaji wa jumla ya mapato ghafi (GDP) unatarajiwa kukuwa na kupita kima cha 6% kufuatia kutekelezwa kwa miapango mbali mbali mingi ya maendeleo kama ule wa mtandao wa reli ya wa Standard Gauge Railway, uwekezaji zaidi katika ujenzi wa barabara na kupungua kwa gharama za kawi.

Tunapoendelea mbele, tuko na matumani ya kuwa matarajio hayo ya kusitawi kukubwa kwa viwango vya jumla ya mapato ghafi (GDP) katika uchumi wa eneo hili, Britam itafaidika kutokana na kufaulu kwa utekelezaji wa mikakati yetu kwa ujumla.

SHUKRANI

Matokeo haya bora zaidi ya biashara yetu katika mwaka tunaazungumzia yalitokana na uungwaji mkono tunaoendelea kuupokea kutoka kwa wateja wetu watukufu na washirika wetu wa kibiashara. Tunawashukuru kwa usaidizihuo na tunatazamia kuendelea kufanya kazi pamoja nao tukiwasaidia kutekeleza vyema zaidi mahitaji yao ya usalama wa fedha zao na malengo yakuwekeza. Vile vile ningependa kutoa shukrani zangu za dhati kwa Kundi la Wasimamizi, Wafanyikazi wetu na Washauri wa maswala ya Kifedha kwa kufanya kazi kwa bidii, kwa hamasa na kujitolea katika mwaka tunaoukariria. Kujitolea huko kwao kumechangia pakubwa katika kuhakikisha kuwa Britam itaendelea kufanikiwa zaidi na kufaidi washikadau wetu wote.



Dkt. Benson I. Wairegi, EBS
Mkurugenzi Mkuu wa Shirika,
Tarehe 24 Aprili 2015

BOARD OF DIRECTORS



Amb. Dr. Francis K. Muthaura,
MBS, EGH (Chairman)



Dr. Benson I. Wairegi, EBS
(Group Managing Director)



Peter K. Munga, CBS
(Director)



Jimnah M. Mbaru, EBS
(Director)



Dr. James N. Mwangi, CBS
(Director)



Nduva Muli, EBS
(Director)



Agnes N. Odhiambo
(Director)



Richard K. Langat
(Director)



Samson K. Kamau
(Director)

MANAGEMENT TEAM



Dr. 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
& Company Secretary



Stephen O. Wandera
Director, Insurance
Business



Jack W. Maina
Group Chief
Information Officer



Steve B. Magati
Group Head of
Internal Audit



Benson Kamau
Assistant General
Manager, Property



Carol O. Misiko
Group Chief Risk &
Compliance Officer



Jude Anyiko
Acting CEO,
Asset Management



Kennedy B. Aosa
Director International
Business



Joseph Kiuna
CEO Britam General
Insurance



Ambrose Dabani
General Manager
Life & Pensions



Charles Muyodi
General Manager
Microinsurance



Allan Mafabi
CEO/Principal
Officer Uganda



Reuben Kibiru
CEO/Principal Officer
Rwanda



John Githinji
CEO/Principal Officer
South Sudan



George Sithole
CEO Mozambique



Stephen Okundi
CEO Tanzania



Grant Mwenechanya
CEO Malawi

STATEMENT OF CORPORATE GOVERNANCE

British-American Investments Company (Kenya) Limited (hereinafter “the Group”) continues to fulfil its corporate governance obligations and responsibilities in the best interests of the Group and its shareholders. The board aims to protect and enhance the interests of its shareholders while taking the interests of other stakeholders including customers, business partners, its employees and the wider community. We are committed to the highest standards of corporate governance and business ethics and recognize that good corporate governance is key to the enhancement of our business performance. 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. The Group strives to maintain the following corporate governance framework:

Corporate Governance Framework TM



STATEMENT OF CORPORATE GOVERNANCE (Continued)

THE 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 of a balance of executive and non-executive directors, with only one executive director 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.

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

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

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

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

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

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

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

Dr. Benson I. Wairegi, EBS (Group Managing Director)

Dr. Wairegi holds a Honorary Doctorate Degree from Kenyatta University, a Masters of Business Administration Degree and Bachelor of Commerce Degree both from the University of Nairobi and is a Certified Public Accountant (CPA-K).

He is a director of Housing Finance Company of Kenya Limited (HF). He is the Chancellor of Kenyatta University, a former chairman of the Association of Kenya Insurers (AKI) and former board member of the Board of Trustees of the Insurance Training and Education Trust (ITET).

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

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

Mr. Munga is the Chairman of Equity Group Holdings Limited and 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 Freshco International Limited. He is an enterprising businessman and runs the Pioneer Group of Schools.

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

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

He is a former chairman of the African Stock Exchanges and has previously served as a 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.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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

Dr. Mwangi is the CEO and Managing Director of Equity Group Holdings Limited and 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 a high standard 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 and finance industry.

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

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

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

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

Mrs. Odhiambo is the Controller of Budget of the Government of Kenya and a Fellow 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 also serves as a board member of the Kenya Women Microfinance Bank. She is the former Chief Executive Officer/Secretary to the Constituency Development Fund Board.

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

Richard K. Langat (Non-Executive Director)

Mr. Richard Langat was appointed as Director of British-American Investments Company in August 2014. He 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 (CPA K).

Mr. Langat is currently the Managing Trustee and Chief Executive Officer of the National Social Security Fund (NSSF) where he is charged with the mandate of providing management leadership of the organization

and a team of 1,400 people countrywide (Kenya) to achieve Fund's set targets, goals and objectives. He serves on the boards of several corporate bodies. Mr. Langat is a highly accomplished, results-driven and financial management executive with more than 15 years of progressive experience in finance and financial operations management.

Samson K. Kamau (Non-Executive Director)

Mr. Samson K. Kamau was appointed as director of British-American Investments Company in August 2014. He brings on board over 40 years wealth of experience in the Insurance Industry in Sub-Saharan Africa. Mr. Kamau was until 2014, the Chairman of the board of directors of Real Insurance Company Limited, a position he held from 2008. In addition Mr. Kamau also served, for this period as a director in the boards of Real Insurance Tanzania Limited, Real Insurance Company of Malawi Limited and Real Companhia de Seguros de Moçambique, SA. He brings to the group his vast and diverse experience in the insurance industry, both local and international.

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, a Certified Public Secretary and a Certified Human Resources Manager from the International Academy of Business & Financial Management. She is also the Director, Legal and Human Resources in Britam. She joined the Group in 2008.

BOARD MANAGEMENT

Board Composition and Appointment

The board of directors consists of the Chairman, who has is both an independent and non-executive director. Other than the Chairman, there are seven non-executive directors and one executive director. Out of the nine, three non-executive directors are considered Independent Directors. The Board maintains effective control over strategic, financial operational and policy issues.

The board of directors maintains an appropriate balance of skills, experience, independence and knowledge of the Company and its' business to enable them discharge their respective duties and responsibilities effectively as well as be diverse on nationality, age and race.

The board also maintains a transparent procedure for appointment of new board members.

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



STATEMENT OF CORPORATE GOVERNANCE (Continued)

Board Meetings - Information for directors

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

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

Oversight role of the Board

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

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

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

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

Separation of Roles of Chairman from Chief Executive

The roles of Chairman and chief executive officer remain separate within the Britam Group. 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 Induction, Training and Evaluation

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.

In pursuit of the objective of promoting board effectiveness, the board undertook a self-evaluation exercise facilitated by a consultant. The recommendations from this evaluation are being implemented.

Code of Business Conduct

The board recognises that employees form an integral part of the internal control system of the corporate structure. Each year every employee commits to adhere to the code of business conduct by studying and keeping abreast of the Company's expectations regarding their duties and integrity as spelt out in the Code of Business conduct. All employees execute a code of business conduct compliance statement in which the employee commits to pin point any violations of the code.

COMMITTEES OF THE BOARD

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

Audit Committee

The members of the Audit Committee are:

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

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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

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

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

Investments and Strategy Committee

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

The members of the Investments and Strategy Committee are:

- Peter K. Munga - Chairman
- Amb. Dr. Francis K. Muthaura
- Jimnah M. Mbaru
- Dr. Benson I. Wairegi
- Dr. James N. Mwangi

Risk and Compliance Committee

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

The members of the Risk and Compliance Committee are:

- Nduva Muli - Chairman
- Moussa I. Rawat - (Resigned on 22 April 2015)
- Tarun Ghulati - (Resigned on 23 May 2014)

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:

- Amb. Dr. Francis K. Muthaura - Chairman
- Peter K. Munga
- Nduva Muli

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:

- Amb. Dr. Francis K. Muthaura - Chairman
- Jimnah M. Mbaru
- Peter K. Munga
- Dawood A. Rawat - (Resigned on 22 April 2015)

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
- Dr. 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.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

The members of the Property Committee are:

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

Procurement Committee

The Committee was formed in March 2013. It will be required to meet at least thrice a year or at such other times as the Chairman of the Committee shall require. Its primary mandate is to develop and implement procurement management framework, policies, procedures and standards and ensure adherence to the requisite policies and procedures. It will regularly review, discuss and suggest revisions to the company's tendering and procurement policies and procedures. It is further mandated to ensure

that there is compliance with the laid down tendering and procurement policies and establishes the need for goods and services and plans for the same ensuring value for money. It shall also evaluate the criteria for vetting suppliers wishing to be included in the list of suppliers.

The members of the Procurement Committee are:

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

Review of Attendance

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

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Meetings and Attendance

		Amb. Dr. Francis K. Muthaura	Dr. Benson I. Wairegi	Peter K. Munga	Jimnah M. Mbaru	Dr. James N. Mwangi	Bocar E. Dia	Nduva Muli	Tarun Ghulati	Agnes N. Odhiambo	Dawood A. Rawat	Moussa I. Rawat	Samson K. Kamau	Richard K. Langat
Meetings and Attendance During Tenure							(Resigned on 23 May 2014)		(Resigned on 23 May 2014)		(Resigned on 22 April 2015)	(Resigned on 22 April 2015)	(Appointed on 19 August 2014)	(Appointed on 19 August 2014)
Board	Meetings Held	15	15	15	15	15	6	15	6	15	15	15	2	2
	Meetings Attended	15	15	13	12	7	5	5	2	12	11	10	2	1
	% Attendance	100%	100%	86%	80%	46%	83%	33%	33%	80%	73%	66%	100%	50%
Audit Committee	Meetings Held	N/A	N/A	4	N/A	4	N/A	4	N/A	4	N/A	N/A	N/A	N/A
	Meetings Attended	-	-	3	-	3	-	0	-	4	-	-	-	-
	% Attendance	-	-	75%	-	75%	-	0%	-	100%	-	-	-	-
Investments & Strategy Committee	Meetings Held	5	5	5	5	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Meetings Attended	4	5	5	4	0	-	-	-	-	-	-	-	-
	% Attendance	80%	100%	100%	80%	0%	-	-	-	-	-	-	-	-
Property Committee	Meetings Held	N/A	5	5	5	N/A	N/A	5	N/A	N/A	N/A	N/A	N/A	N/A
	Meetings Attended	-	5	5	2	-	-	5	-	-	-	-	-	-
	% Attendance	-	100%	100%	40%	-	-	100%	-	-	-	-	-	-
ICT Steering Committee	Meetings Held	N/A	6	N/A	N/A	6	N/A	6	N/A	N/A	N/A	N/A	N/A	N/A
	Meetings Attended	-	6	-	-	1	-	6	-	-	-	-	-	-
	% Attendance	-	100%	-	-	16%	-	100%	-	-	-	-	-	-
Compensation & HR Committee	Meetings Held	1	N/A	1	N/A	N/A	1	1	N/A	N/A	N/A	N/A	N/A	N/A
	Meetings Attended	1	-	1	-	-	1	0	-	-	-	-	-	-
	% Attendance	100%	-	100%	-	-	100%	0%	-	-	-	-	-	-
Procurement Committee	Meetings Held	N/A	N/A	0	N/A	N/A	N/A	0	N/A	0	N/A	N/A	N/A	N/A
	Meetings Attended	-	-	-	-	-	-	-	-	-	-	-	-	-
	% Attendance	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk & Compliance Committee	Meetings Held	N/A	N/A	N/A	N/A	N/A	N/A	3	2	N/A	N/A	2	N/A	N/A
	Meetings Attended	-	-	-	-	-	-	3	0	-	-	1	-	-
	% Attendance	-	-	-	-	-	-	100%	0%	-	-	50%	-	-
Nomination & Governance Committee	Meetings Held	2	N/A	2	2	N/A	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Meetings Attended	2	-	2	2	-	1	-	-	-	-	-	-	-
	% Attendance	100%	-	100%	100%	-	100%	-	-	-	-	-	-	-

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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 40(iv). It is the opinion of the board that the directors' remuneration is sufficient to attract and retain directors to run the company effectively and is competitively structured.

BOARD OPERATIONS

Professional advice

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

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

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

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

Conduct of Business and Performance Reporting

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

Compliance with Laws

The board is satisfied that the Group has, to the best of its knowledge, complied with all applicable laws and conducted its business affairs in accordance with the law. To the knowledge of the board, no director, employee or agent of the Group acted or committed any indictable offence

under the Anti Corruption laws in conducting the business of the Group nor been involved or been used as conduit for money laundering or any other activity incompatible with the relevant laws. The Company Secretary is responsible for ensuring that all the board procedures, corporate governance policies, rules and regulations are followed.

Company Secretary

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

Directors' Shareholding

No.	Names	Roles	Shares
1	Amb. Dr. Francis K. Muthaura	Chairman	-
2	Dr. Benson I. Wairegi	Group Managing Director	100,298,400
3	Jimnah M. Mbaru	Director	199,300,100
4	Peter K. Munga	Director	75,000,000
5	Dr. James N. Mwangi	Director	75,000,000
6	Nduva Muli	Director	-
7	Agnes N. Odhiambo	Director	-
8	Richard K. Langat	Director	-
9	Samson K. Kamau	Director	-

OPERATIONS GOVERNANCE

Governance of Information Technology

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

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

To exercise effective enterprise and information security governance, the board and senior executives have a clear understanding of what to expect from the enterprise's information security programme. They know how to direct the implementation of an information security programme, how

STATEMENT OF CORPORATE GOVERNANCE (Continued)

to evaluate their own status with regard to the existing security programme and how to decide the strategy and objectives of an effective security programme.

INVESTOR RELATIONS

Communication with stakeholders

The Group places a great deal of importance on the quality and detail of financial disclosures to its stakeholders. The Company has also embraced technology to ensure this is done efficiently and regularly. Communication with stakeholders also takes place via the Company's website, twitter, facebook, mobile short message services (SMS) and blogs.

Shareholder Register Management

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

Share Capital

The authorised and issued share capital of Britam consists of only ordinary

shares as disclosed on note 18 of the financial statements. The holders of the ordinary shares are entitled to attend the Annual General Meeting in person or through proxies.

Shareholders Right

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 31 December 2014.

Shareholder Volume Analysis

No.	Shareholding	Shareholders	No. of Shares held	Percentage Shareholding
1	1 to 500	2,281	645,063	0.03%
2	501 to 5000	18,123	43,477,707	2.24%
3	5001 to 10000	2,671	20,919,900	1.08%
4	10001 to 100000	2,210	55,086,316	2.84%
5	100001 to 1000000	176	51,412,179	2.65%
6	1000001 and above	53	1,766,874,673	91.15%
	Grand total	25,514	1,938,415,838	100.00%



STATEMENT OF CORPORATE GOVERNANCE (Continued)

Top Ten Shareholders

No.	Names	Shares	Percentage
1	British American (Kenya) Holdings Limited	452,504,000	23.34%
2	Equity Holdings Limited	405,000,000	20.89%
3	Jimnah M. Mbaru	199,300,100	10.28%
4	Benson I. Wairegi	100,298,400	5.17%
5	Kenya Commercial Bank Nominees A/C 915f	91,404,035	4.72%
6	Peter K. Munga	75,000,000	3.87%
7	James N. Mwangi	75,000,000	3.87%
8	Co-op Bank Custody A/C 4012	60,000,000	3.10%
9	Filimbi Limited	58,453,600	3.02%
10	Royal Ngao Holdings Limited	46,963,988	2.42%
11	Others	374,491,715	19.32%
Grand total		1,938,415,838	100.00%

Return Summary

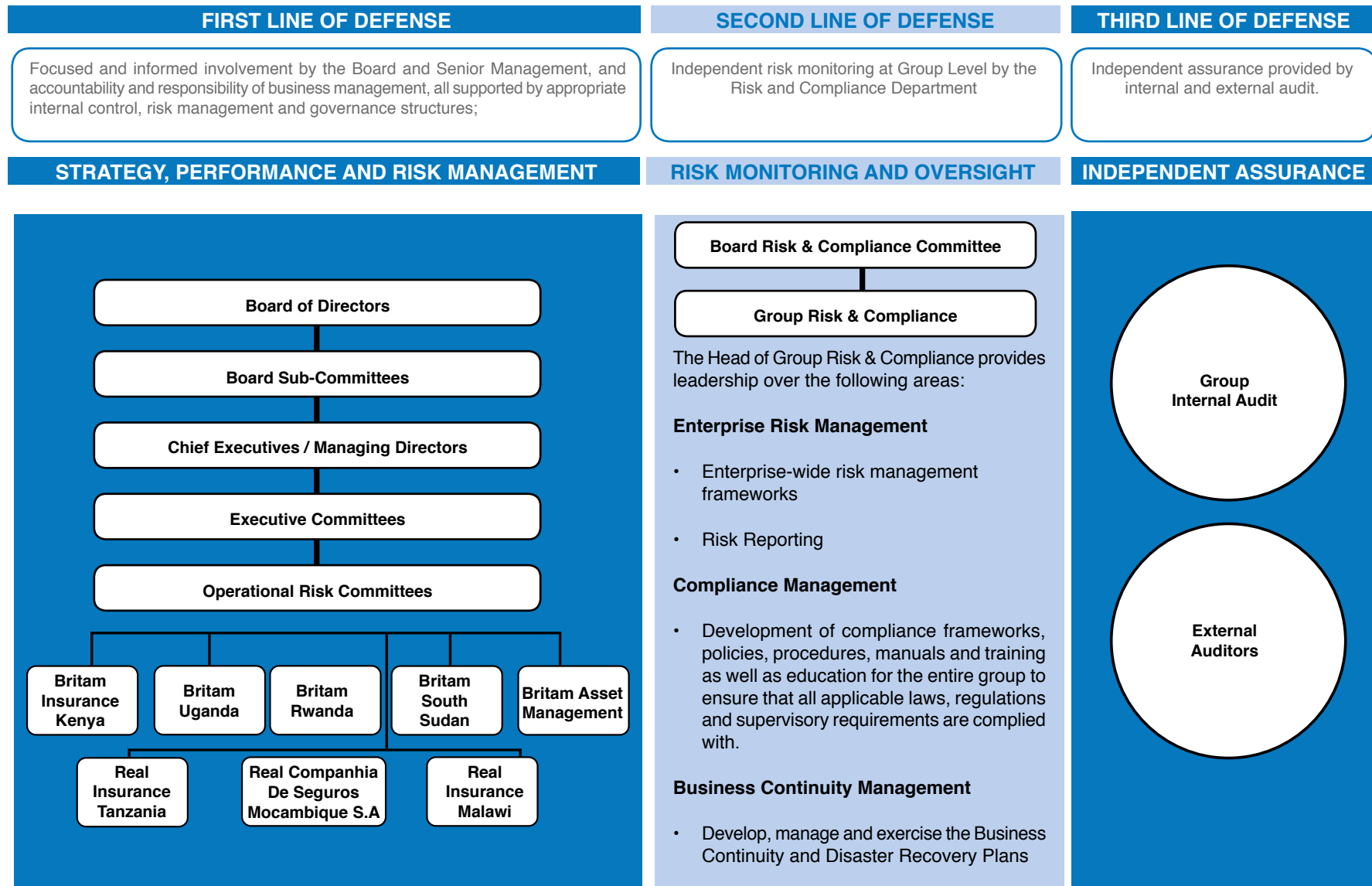
Investor Pool	Records	Shares	Percentage
Local institutions	799	788,456,756	40.68%
Local individuals	24,605	597,362,961	30.82%
Foreign investors	110	552,596,121	28.51%
Grand total	25,514	1,938,415,838	100.00%

ENTERPRISE RISK MANAGEMENT REPORT

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

Risk Governance Framework

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



Key Risk Management Practices

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

Risk Identification & Assessment

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

Risk Measurement, Mitigation & Monitoring

Once risks have been identified, the factors causing or contributing to the risks are identified and classified. From an operational perspective causal factors are classified into people, process, system and external events. Management, in cooperation with the risk functions, then formulates action plans to mitigate the risks to acceptable levels of risk exposure. The management of operational risk is based on a system of internal control. This system includes a documented organizational structure with policies, procedures and reasonable segregation of duties that are communicated throughout the group.

It has its foundation in the charter of employment, which aims to foster and further a sound ethical climate. The careful selection, training and development of staff contribute to a risk monitoring and control culture. The classification of risks and causal factors enable the creation of risk scorecards that provide management with information on risks, the level of exposure to identified risks as well as the factors causing or contributing to risks. Linked to these scorecards are detailed action plans that can be tracked through a web-based risk management system. This system enables dynamic risk management and monitoring of risk on an enterprise-wide basis.

The corporate governance framework for operational risk management includes monitoring committees such as:

- The Board Audit Committee; and
- The Board Risk Management and Compliance Committee.

Risk Reporting

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

Enterprise Risk Management - Enabling Software

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

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

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

Risk Categorization Model

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

ENTERPRISE RISK MANAGEMENT REPORT (Continued)

The following are the broad risks the Group is exposed to

RISK CATEGORIZATION MODEL

Risk Category	Definition	Areas of Impact
Counterparty Risk	<p>Credit risk occurs when a counterparty fails or delays to perform its contractual obligation thereby affecting the Group's ability to meet its valid claims / obligations as and when they fall due.</p> <p>Credit risk can also arise from underlying causes that have an impact upon the credit worthiness of all counterparties of a particular description or geographical location.</p>	All Group Business Lines
Market Risk	<p>Market risk is the risk that as a result of market movements the Group may be exposed to fluctuations in the value of its assets, the amounts of its liabilities, or the income from its assets.</p> <p>Sources of general market risk include but are not limited to movements in interest rates, equities, exchange rates and real estate prices.</p>	<p>Life Insurance Business</p> <p>General Insurance Business</p> <p>Asset Management Business</p>
Insurance Risk	<p>The uncertainty due to differences between the actual and expected amount of claims and benefits and the cost of embedded options and guarantees related to insurance risks: Insurance risk includes but is not limited:</p> <ul style="list-style-type: none"> • Underwriting process risk i.e. risk related to selection and acceptance of risks to be covered • Pricing risk i.e. due to incorrect premium charged for risk undertaken • Product design risk i.e. exposures not anticipated in the product design • Claims risk i.e. actual claims are more than the expected claims • Socio-economic environment risk i.e. adverse effect on the company due to changes to socio-economic conditions such as longevity risk, morbidity and mortality risks • Policyholder behavior risk i.e. unanticipated behavior of policyholders adversely affecting the company e.g. persistency • Solvency risk i.e. inadequate provisions in the company accounts for policy liabilities. 	<p>Life Insurance Business</p> <p>General Insurance Business</p>
Strategic Risk	<p>The risk that discretionary decisions will adversely affect future earnings and the sustainability of the business. The risk also arises from external constraints imposed by regulatory or government bodies impacting on our ability to deliver the strategy.</p> <p>The potential for loss arises from fluctuations in the external business environment and/ or failure to properly respond to these fluctuations due to inaction, ineffective strategies or poor implementation of strategies.</p>	All Group Business Lines

ENTERPRISE RISK MANAGEMENT REPORT (Continued)

Risk Category	Definition	Areas of Impact
Operational Risk	<p>Operational risk is the risk that there is loss as a result of inadequate or failed internal processes, people, technology and external events: Operational risk includes but is not limited to:</p> <ul style="list-style-type: none"> • People risk: i.e. losses arising from people • Process risk: i.e. losses arising from process design and or process implementation • Systems risk: i.e. losses arising from system failures, obsolescence of infrastructure, deficiency in integration, inadequacy of networks • Business Continuity risk: i.e. losses arising from external factors e.g. natural disasters, terrorism • Legal and Regulatory Compliance: i.e. risk of non-compliance with laws, regulations and standards which relate to markets, pricing, taxes and regulations. Also the risk that unanticipated new laws or regulations will result in the need to change business practices that may lead to financial loss • Reporting Risk: i.e. losses arising from incorrect, incomplete, inadequate or misleading disclosure, aggregation, compilation, presentation and distribution of financial and non-financial information to the Group's stakeholders. • Reputation Risk: i.e. the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions. This risk may result from the Group's failure to manage any or all of the other risk types. • Information Security Risk: i.e. losses arising from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction of information or information systems 	All Group Business Lines
Liquidity Risk	The uncertainty arising from the company's inability to meet its liabilities when they fall due without incurring unacceptable losses.	Life Insurance Business General Insurance Business Asset Management Business
Project Risk	Risk related to inability to manage and control large strategic projects	All Group Business Lines

Enterprise Risk Management - Prospect for 2015

The board and management of Britam have never been more aware of the importance of an effective risk management program than in the last 3 years. In the course of 2014, the board and management of Britam embarked on an in-depth evaluation of its risk management processes under the able guidance of a world-class consulting firm.

As a result of this in-depth evaluation, Britam will embark on a process of redesigning and implementing a capital and enterprise risk management framework that will align risk management and capital. This new framework will facilitate the evaluation of risk inherent in the Group and thereby ensure that there is sufficient economic capital set aside to cover these risks.

Britam will be looking beyond the current regulatory regime in Kenya to become an industry leader in the practise of risk management.

MANAGEMENT'S EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

ENTERPRISE RISK MANAGEMENT REPORT (Continued)

Britam's internal control over financial reporting includes policies and procedures that:

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

In order to assess the effectiveness of ICOFR, financial reporting risks are initially identified at the individual company level with a focus on identifying

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

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

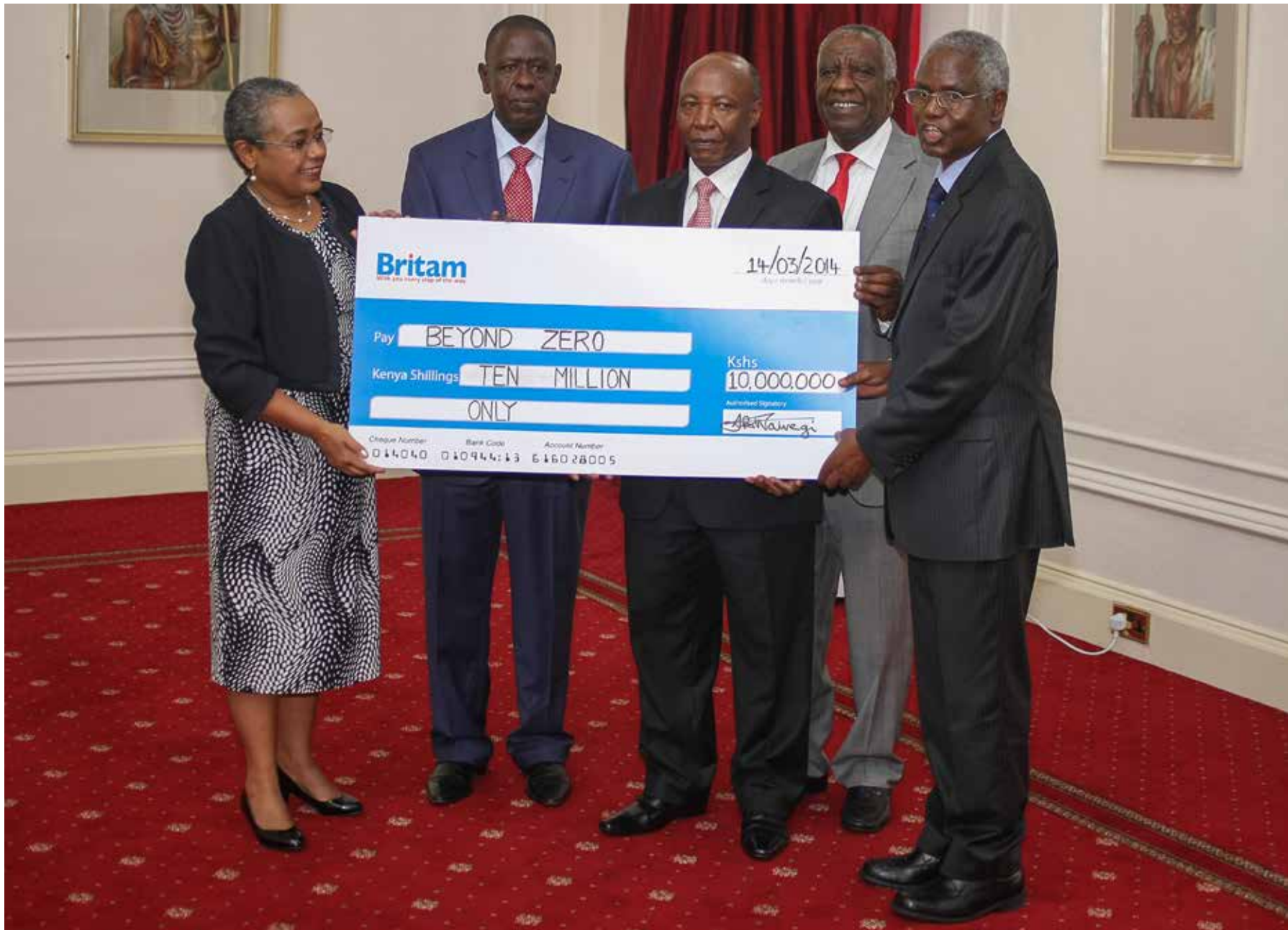
All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections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



Awards and Recognition



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY



First Lady Margaret Kenyatta receives a Kshs 10 million donation from Britam Group Chairman Amb. Dr. Francis K. Muthaura to support the "Beyond Zero Campaign" at State House Nairobi.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

Our Goal

Britam views Corporate Social Responsibility as a fundamental aspect of its business. In 2014, the Group continued to support various initiatives in the areas of education, environment and ethics. We continue to work with our community partners to identify other emerging needs. We have been making positive choices in our work process and have taken significantly huge investments in our people's health, education, our community and the whole region in order to provide a safe, sustainable working and living environment.

The essence of sustainability is to continuously attend to the needs and wants of the present generation, while mitigating future risks that might break this cycle of commitment and attainability. Our drive is achievement of sustainable development and the realization of growth and progress for all our stakeholders. We are founded on the principle of sustainable responsibility to those we serve as we continue to keep our promise to deliver peace of mind and financial freedom through our exceptionally motivated team.

Our Ethics

We continue to build on honest and open working environments with those we deal with both internally and externally. We have done this by maintaining our positive integrity that enables us to assess the impact of our strategy and decisions that goes beyond increasing the shareholder value.

Our core has been sustaining the trust with our stakeholders and striving to respond to our diverse stakeholder expectations while complying with emerging national and international legislation. The management spearheads the initiatives that always are a reflection of professionalism, excellence and positive attitude. This flows down to all our employees.

We have developed clear policies that offer optimum solutions to guide implementation of new technology, corporate governance and ethical standards in line with how we interact with our clients and business partners. Our key priority is the relationship with our customers, our employees, our partners and our suppliers.



Britam Group Managing Director Dr. Benson I. Wairegi (centre) with the Mathare United Football Club during the official launch of Britam's sponsorship of the Kenya Premier League team.

Our Environment

Environmental degradation can be defined as the reduction of the capacity of the environment to meet social and ecological objectives and needs. Our visionary focus is to protect and support the future generations to meet their needs through best business practices.

Britam has come up with interventions meant to mitigate the damage the community is facing currently from environmental degradation. The following are projects slated for 2014:

- Project Jawabu which is an IT led business transformation system that is aimed to enhance efficiency across businesses. The project will eliminate the use of paper up to almost 50%. We understand and appreciate that work processes have a direct impact on the environment in the long run. As part of our rigorous efforts in providing due care for our eco-system, we are continuously researching and have developed, implemented efficient working processes characterized by a fully functioning paperless system.
- Working with the Cartoon Network TV series, the Britam Foundation last year sponsored the "Animation Generation" art competition for Shs 12 million. The competition for children aged between 9 and 14 years in over 100 schools in Nairobi and its environs was meant to raise awareness on the importance of wildlife conservation and protecting the environment.



Britam Senior Investor Relations Manager Carol Karugu, presents a cheque of Kshs 50,000, to the Principal of Exodus Junior School in Kariobangi North. Britam spent Shs 12 million to sponsor the art competition, together with Cartoon Network. The competition was aimed at engaging children in environmental and wildlife conservation.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)



Britam, Director Marketing and Corporate Affairs, Muthoga Ngera, (2nd left) presents a cheque of Kshs 600,000 to the Rt. Rev. Joel Waweru, the Bishop of the Anglican Church of Kenya's Nairobi Diocese. Funds raised will go to fund a medical centre for the elderly.

Our Products

We have a responsibility to our customers to not only give them products that meet the minimum needs but are uniquely designed to make sure they are safe for consumption. Our unique products include:

Linda Jamii Micro-Health Insurance

It is estimated that only about 4% of Kenyans have access to medical insurance cover. Britam has partnered with Safaricom and Changamka to provide an innovative inpatient and outpatient micro-health insurance and saving product for the excluded segments known as Linda Jamii. The product leverages on existing Safaricom services such as M-PESA (collect subscription data, premiums and send claim payouts), Cloud Services (which hosts the platform and data on which the solution runs), USSD and SMS messaging services (to register and interact with subscribers) as well as our call centre Business Process Outsourcing (BPO) services to manage and respond to client queries. Considering that a huge segment of the target market include the informal sector who do not have steady sources of income, Linda Jamii has two key features to buffer the family and make it convenient for subscribers to contribute to their premiums:

- The product allows a subscriber to save and contribute depending on their cash flow and financial situation. Subscriber can save from as low as Shs 10 daily until they reach the premium threshold.
- To cater for situations where the bread-winner is admitted in hospital for more than 2 days, the product pays a daily cash benefit to the family so that they do not suffer, when the principle member or spouse is in hospital.

The main objective of Linda Jamii is to reduce the burden of health care currently borne by the poorest in the society.

Education

At Britam, we believe in empowering children who are academically gifted but come from poor backgrounds. The company also provides equipment needed by schools to provide a conducive and effective learning environment

In 2014, Britam spent Shs 20 million to build additional classrooms for Olympic Primary School in Kibra constituency. Once complete, the additional eight classrooms will accommodate over 300 students. The school gets most of its students from the neighbouring Kibra slum and the classrooms will ease pressure on the schools facilities and provide a better learning atmosphere. The Group also presented assorted furniture to Kigumo Girls School and presented a new printer worth Shs 150,000 to Students of Karega High School in Murang'a. Britam also sponsored a golf tournament to raise funds for the construction of a new chapel for Kahuhia Girls School in Murang'a and donated Shs 100,000 towards the cause. Other donations were; Shs 100,000 towards establishing a fund to pay for the education of people with disabilities and Shs 100,000 to support the Bible Translation Society.

Britam Uganda donated Shs 100,000 to the Duke of Edinburgh's International Award, to pay for the education of 25 young girls in rural Uganda. The International Award provides youths between the ages of 14-24 years with practical life skills.



Britam Group Managing Director, Dr. Benson I. Wairegi and Nairobi Governor Evans Kidero, during a ground breaking ceremony at the Olympic Primary School in Kibra, Nairobi. The Britam Foundation will build eight classrooms which will accommodate an additional 300 students in the school

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

Health and Wellness

The promotion of Health and wellness remains an integral part of Britam and we have always endeavoured to promote it, not just with staff members, but also within the entire society.

In 2014, Britam donated Shs 10 million to support the “Beyond Zero Campaign”, spearheaded by First Lady Margaret Kenyatta aimed at reducing prenatal and maternal deaths in all the 47 counties in the country.

In addition, Britam donated Shs 600,000 to the Anglican Church of Kenya to support a half marathon by the Diocesan Synod of Nairobi. The funds raised by the marathon will go towards the construction of a home for the elderly in Ruai, Nairobi.

The Group donated Shs 660,000 to the Kenya Conference of Catholic Bishops’ (KCCB) Catholic Health Commission of Kenya for the annual Health Conference and General meeting.

The Britam Foundation

As a responsible and caring corporate citizen, Britam has been able to integrate the social, environmental, and economic concerns of its various stakeholders in a bid to improve the society. By giving back to the community through Corporate Social Responsibility (CSR) activities, Britam has been able to cultivate goodwill across all its business with the various stakeholders to promote a sustainable society.

The Group’s long term strategy is to engage in strategic CSR which will not only benefit our stakeholders, but also reinforce the company’s corporate strategy and leverage on key focus areas. Britam looks at CSR not just as a goodwill gesture but a prerequisite for good corporate leadership, governance and sustained operation and profitability.

Background

The Britam Foundation is a non-profit charity of Britam. It was incorporated as a Limited Liability Company as the vehicle through which Britam and its subsidiary companies will carry out its Corporate Social Responsibility (CSR) activities.

The Foundation will spearhead efforts by the Group to engage with its diverse publics and stakeholders in a strategic and sustainable manner. The mandate of the Britam Foundation is to come up with programmes and activities meant to enrich the lives and livelihoods of the less fortunate and marginalized people in the countries that Britam operates in order to provide a sustainable solution to their recurring problems.

The Foundation will be instrumental in identifying core and strategic CSR activities for funding, help in the implementation of respective CSR programs and activities, and also determine the sustainability priorities of the organization.

When fully operational, the main focus areas of the Foundation will be on education, environmental conservation, water, health, disaster relief, economic empowerment, arts, culture, and sports. The Foundation has come up with clear guidelines and policies on how to drive each of these important pillars.

Key Objective

While waiting for the foundation to be fully operational, Britam will continue to pursue CSR activities aimed at supporting the Group’s strategic objectives, grow the brand visibility as a credible and reliable business partner, and support overall sustainability objectives of the organization.

Ultimately, the aim is to cultivate loyal partners, a grateful clientele and a sustainable relationship with our various stakeholders through strategic CSR activities.

Areas of focus

Skills Skills and Economic Empowerment; The Foundation will help provide training, market access and career opportunities to deserving Kenyans to enable them exploit economic activities and develop their potential.

Water; The Foundation is keen to support the inception of water projects in arid and semi- arid areas where women and children have to spend many hours looking for water.

Disaster; The Britam Foundation will provide material and financial support grants during disaster including clashes, and floods amongst others.

Environmental Conservation; The Foundation will spearhead efforts by the group at environmental conservation.

Health; The Britam Foundation will continue to make investments in health for the well being of Kenyans Key is the continued support of mobile medical camps around the country in marginalized areas to people seeking specialized medical attention.

Sports; Britam views sports as a means of interacting with the community and enhancing relations. Sports is also an important activity in reaching and engaging people from across the entire social, economic and demographic spectrum.

To support the Dandora Youth soccer Championships, Britam donated Shs 24,000. Britam also gave Shs 400,000 sponsorship to supports the Murang’a County Jamuhuri Day football match and Gatundu South football tournament.

Art and Culture; The foundation will identify art and cultural activities aimed to benefit the community.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)



Students of Kigumo Girls School cheer after they received a donation of furniture from Britam's Director Marketing and Corporate Affairs Muthoga Ngera and Administration Manager Regina Kamba.

OUR PEOPLE

Our Culture

At Britam, we see the success of the group as highly dependent on the quality of the human resource we have. We identify, recruit, retain and invest in the best talent in the market. Our culture of high performance, innovation and creativity is enhanced by our organizational structure that promotes the free flow of ideas and communication. Each individual has a key role to play all towards the success of the Group.

We strive for excellence in our businesses, guided by our values of respect, integrity, continuous innovation, improvement and Passion.

At the beginning of 2013, Britam had a workforce of 497 employees. This number has since grown to 825 as at 31st December, 2014. The age of our employees range between 20 years and 60 years, ensuring that the company benefits from a blend of age and experience.

Britam is an equal opportunity employer and through its recruitment procedures aims to:

- Attract good candidates
- Ensure a fair and auditable recruitment process
- Identify and appoint the best applicants

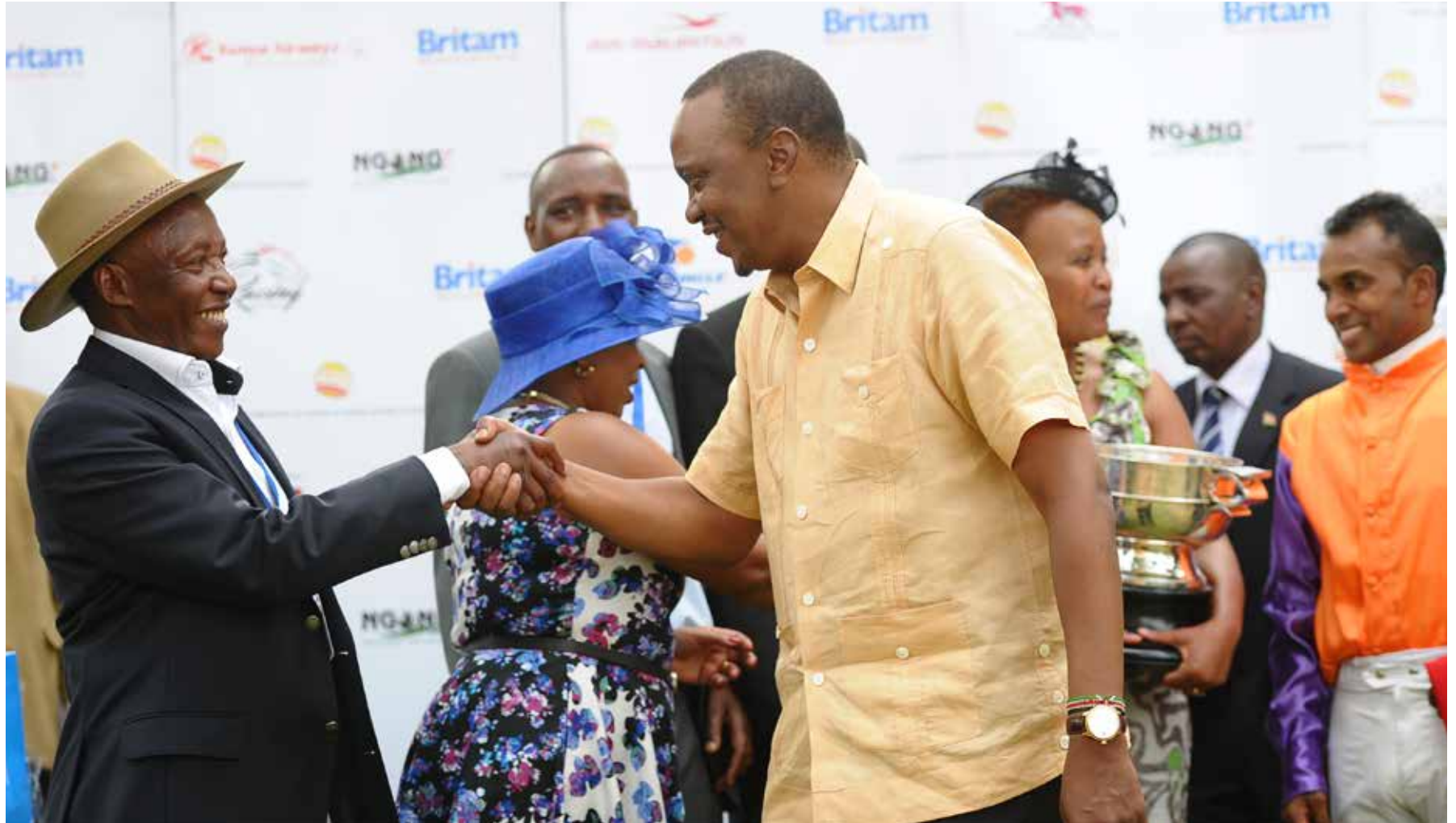
Our employees' growth and performance

Britam believes that the growth of the business is directly linked to the growth of its employees. The performance based culture is guided by Balance Score Card (BSC) a performance management system which focus on both qualitative and quantitative performance of the team.

The BSC aligns the performance of the individual's and the corporate objectives. Whereas attainment of quantitative goals can be measured by increase in shareholder value, attainment of qualitative goals is measured by personal growth of the individuals in the various units of the group.

We strive to support individuals to achieve their aspirations through training and personal development plans and initiatives. There is also continuous information technology (IT) training for application and processes competences for all employees to ensure the business processes are done efficiently.

The team building initiatives organized by the Group creates a sense of oneness with the team members making the working environment favourable.



President Uhuru Kenyatta shakes hands with Britam Group Managing Director Dr. Benson I. Wairegi, after The Head of State presented trophies to the winners of the inaugural Britam Kenya Guineas Cup. The event was held at the Ngong Racecourse.

Training and Development

In 2014, training across the group focused on customer service, technical competencies and people management skills.

- The Britam Academy is a programme that will ensure training for all staff on a need basis.
- Corporate training on personal branding was done for all employees.
- Employees dealing with customers were taken through Customer Service Empowerment training as this is considered to be one of the Group's core competencies that differentiate us from the competitors.

- The senior management team was taken through executive coaching meant to facilitate change in persons, teams, and systems by enabling leaders to uncover their potential.

Within the year, departmental training champions were identified to improve the Group training needs at the departmental level and allow better focus on training at Group level.

Flexi-Time schedule was also introduced for employees to ensure a work-life balance. The employee is at liberty to choose the time period best suited for them during the day.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

Health and Safety at Work

We take the safety and welfare of our staff seriously and have put up systems and facilities to ensure that employees are safe and secure while performing their duties. The measures taken to enhance comfort and safety include:

- Fire extinguishers placed strategically on each floor and wing of the offices.
- Emergency exit staircase and fire alarms
- Provision of parking space to the employees either within the office premise or at a place close to the offices.
- Proper lighting of the offices and its environs making it safe regardless of the time.
- Provision of taxis for employees who work late.
- Uninterruptible Power supply (UPS) are installed in case of power black outs.
- Protective gear for all our service providers in their line of duty.
- Signage is used around the office for directions.
- Proper ventilation in our offices with air conditioners and sufficient number of windows.
- A canteen within the work premises where employees can enjoy quality meals throughout the day.
- Regular garbage disposal that is centralized.

Leadership development

At Britam we acknowledge that the business needs a sustainable pool of leaders to drive our enterprise. One key initiative is the graduate program (GP) which is an annual initiative through which fresh graduates with a winning attitude and high leadership potential from renowned universities across the country. We absorb a number of candidates each year whom we place in our various subsidiaries. The graduates the company identifies from various disciplines including commerce, actuarial science, ICT and economics are exposed to leadership development programmes aimed at enhancing their skills.

The company also has the Britam women Leadership Forum meant - to equip women managers with requisite skills to prepare them for leadership roles.

Continuous mentorship and coaching is run in the organization to ensure that continuous knowledge transfer from the experienced staff and to the other staff.



Acting Director General Sports Kenya Gabriel Komora (l), Britam Director Marketing and Corporate Affairs Muthoga Ngera and the CS Sports, Culture and the Arts, Dr. Hassan Wario after announcing that Britam had won a two year contract to brand the Nyayo National Stadium.

Motivation of our people

At Britam, we appreciate employees who have had outstanding achievements within the work place. Our people receive appreciation through;

- Monetary compensation through commissions for our financial advisors and bonus in accordance with BSC performance.
- Training to all employees to empower them for career growth.
- Surveys and questionnaires sent to employees to test their understanding of new processes.
- Recognition of best employees of the month.

Britam
With you every step of the way



GROUP LIFE POLICY
I AM READY
with Britam



- INVESTMENTS
- INSURANCE
- PROPERTY

www.britam.co.ke [BritamEA](#) [BritamEA](#)

For expert financial advice, call us. **Tel: 0703 094 000**

BUSINESS REVIEW

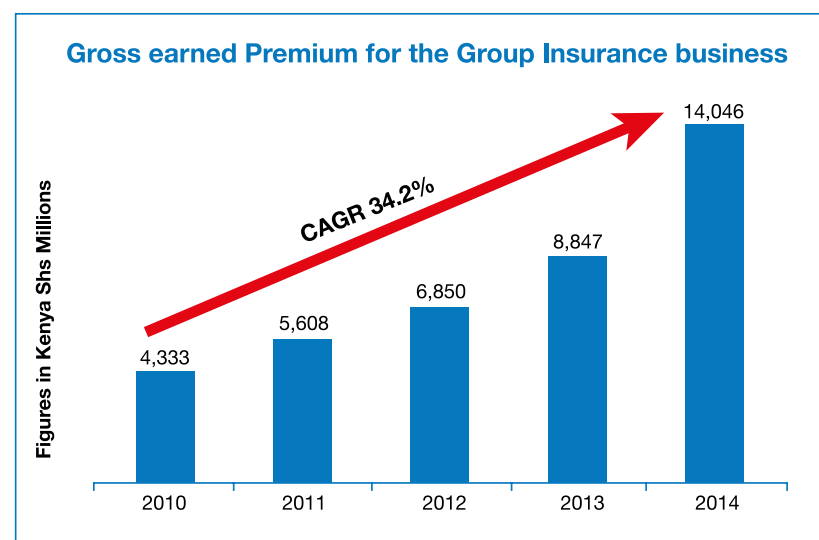
Britam is a diversified Financial Services Group with interest in insurance, asset management, private equity and property businesses. We hereunder present the performance of the various businesses within the Group in Kenya Shillings (Shs).

INSURANCE BUSINESS REVIEW

Britam Financial Services Group can trace its origins to the insurance business. The business started in Kenya 50 years ago as British-American Insurance Company (Kenya) Limited. The Insurance Company in Kenya evolved from a home service insurance company to its current position as a leading composite insurance company providing all classes of insurance. Following its strategy to grow the business, the Britam Group, has since expanded its insurance business into the East and Southern region. The insurance business is currently in Uganda, South Sudan, Rwanda, Tanzania, Malawi and Mozambique. In Uganda, South Sudan and Rwanda, the Group started the businesses as green field operations in 2010, 2012 and 2013 respectively. In Tanzania, Malawi and Mozambique, the market entry was achieved through the acquisition of 99% of Real Insurance Company Limited (Kenya) on 31 July 2014.

The overall premium income from the insurance business has grown impressively over the last 5 years with a CAGR of 34.2%, while the growth from 2013 to 2014 was 59%. The impressive growth has been as a result of tremendous growth both in the Kenyan business and the regional businesses, coupled with the regional expansion. The insurance business gross earned premium revenue for 2014 made up 95.3% of the total Group revenue of Shs 14.74 billion. The Real insurance business and its subsidiaries

contribution to the Group revenue amounted to Shs 2.34 billion for the five months period since the finalisation of the acquisition process. For the 12 months period, the Real group total gross earned revenue was Shs 5.184 billion.



The flow chart below shows the distribution of premium in the Group inclusive of the Real Insurance Company Limited and its subsidiaries 5 months period revenues:

**Insurance business revenue 95.3% of total
Group revenue - Shs 14.0 billion**

**Kenyan businesses
84.6% - Shs 12.4 billion**

**Regional business
10.7% - Shs 1.57 billion**

Life Business
43.9% - Shs 6.4b

General Business
(Real + Britam)
40.7% - Shs 6.0b

Real
Tanzania
2.7%
Shs
394m

Real
Moz
1.8%
Shs
266m

Real
Malawi
1.1%
Shs
155m

Britam S.
Sudan
2.4%
Shs
358m

Britam
Uganda
2.2%
Shs
323m

Britam
Rwanda
0.5%
Shs
80m

Ordinary
Life
33.9%
Shs
5.0b

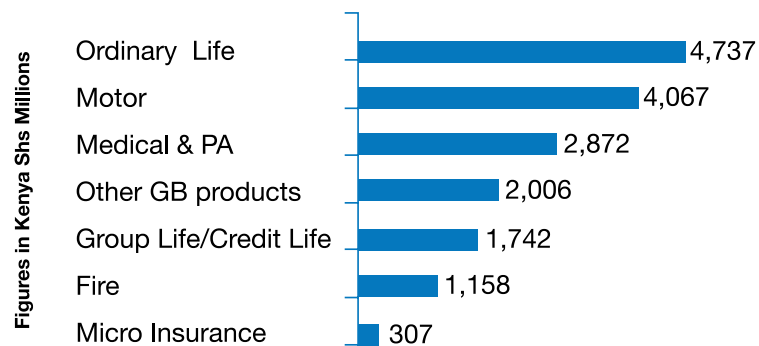
Group Life
& Credit
life
10.0%
Shs
1.4b

Traditional
GB
30.0%
Shs
4.4b

Medical
business
8.7%
Shs
1.3b

Micro
insurance
2.0%
Shs
307m

Distribution of Group Insurance revenue by product



The Insurance business offers a large bouquet of products to its clients. The chart on the left, illustrates product performance for a period of 12 months to 31 December 2014 (inclusive of Real subsidiaries 12 months performance).

Below, is a review of the performance of the main products by line of business in the insurance business. The review starts with Kenyan businesses which contribute 84.6% of the Group revenues and thereafter is followed by a review of the regional businesses.

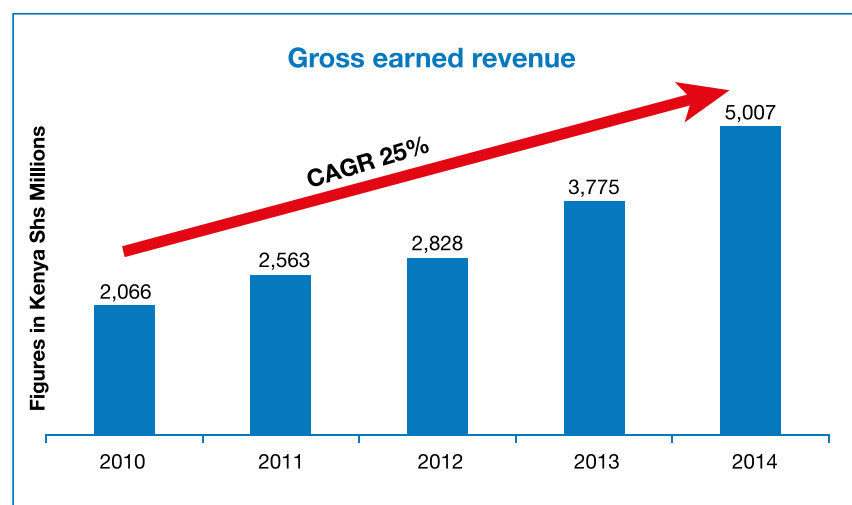
BUSINESS REVIEW (Continued)

LIFE INSURANCE BUSINESS REVIEW

Individual Life Insurance Business

Individual life insurance business continues to be an integral part of the Group's insurance operation. The business involves underwriting life insurance risk and providing long term savings plans for individuals. It has a diverse bouquet of products that cater for the needs of a wide range of clientele including investment, saving for future expenses such as school fees, providing for funeral expenses amongst other life insurance needs.

The Group continues to be the dominant player in the individual life insurance market in Kenya with a market share of 30% in 2014 according to the industry reports published by the Insurance Regulatory Authority (IRA). In addition, this line of business has achieved a compounded annual growth rate in gross IFRS revenues of 25% over the last 5 years.



Going forward, the business is dedicated to delivery of strong year-on-year growth in revenues through successful execution of the strategic plan that is reinforced by 3 key focus areas;

1. Leveraging on the wide network of close to 2,000 Financial Advisors which continues to give competitive advantage in the market space.
2. Innovative product development initiatives underpinned by experience, research initiatives and customer centric approach.
3. Leverage on IT-enabled business transformation to enhance the customer service experience as well as enhance efficiencies in the operations.

Group Life Business

Group Life insurance business continues to be a fundamental component of the insurance business. This business entails offering life insurance solutions to groups such as employee benefit schemes and welfare groups. The operating environment for this business has been generally favorable and is underpinned by increasing demand for group life products to offer employee benefits to the public sector and Small and Medium-Sized Enterprises.

The sector has historically experienced satisfactory growth rates and healthy profit margins; however over the last few years there has been heightened competition for business characterized by significant price undercutting which has exerted pressure on profit margins.

Credit Life Business

Credit Life Insurance is also an integral part of Britam's product offering. Through this product line, Britam meets the needs of banks and SACCO's which need to manage the risk of loan losses in the event of death of borrowers. Britam is the second largest player in the Credit Life Insurance market with a market share of 25% as at the end of 2014.

The operating environment for this business has been very supportive especially due to increased uptake of loans from banks. The strategic relationship with banks, and in particular Equity Bank, continues to be one of the key pillars of our success in this line of business.

Going forward, the intention is to grow the market share and to maintain the strong performance by maintaining key strategic relationships as well as growing business relationships with other banks and financial institutions.

Pensions Business

The Kenyan pensions industry can be broadly classified into 2 broad categories; the retirement savings industry whose objective is to provide a vehicle for saving towards a retirement income and the retirement income industry which is geared towards providing an income to retirees.

2014 has been an exciting period for the pensions industry in Kenya and 2015 promises to be even better for Britam as the Group seeks to exploit market dynamics and strengthen the internal processes to cement its position in the markets. The following are the key pillars of the strategy to strengthen presence in this industry;

Regulatory developments; 2014 saw the enactment of the NSSF bill which enhances the level of contributions that should be made by and on behalf of employees. The act also makes it mandatory for every employer to register their employees under a registered pension scheme

and provides for opting out of NSSF scheme. We in Britam believe that these developments will increase demand for retirement savings products especially Umbrella Schemes by SMEs and micro enterprise employers as they seek to comply with the legislation.

Strategic expansion and diversification of the distribution channel; Traditionally, brokers and retirement benefit scheme administrators have been the cornerstone of our distribution strategy. Our network of Financial Advisors (FAs), a key aspect of the Group's distribution strategy, will engage in the distribution of pension products to SMEs and individuals. We also continue to conduct focussed and dedicated marketing campaigns and to maintain our relationships with our traditional distributors to ensure they continue to generate new business.

Innovation in the product offering; Currently, we have a comprehensive range of products that cover both the retirement income and retirement savings industry. Through a dedicated product development team we continue to execute a very customer centric and innovative product development initiative.

We also continue to review our existing products in the light of intelligence from our research and development initiatives ensure we stay ahead of the curve.

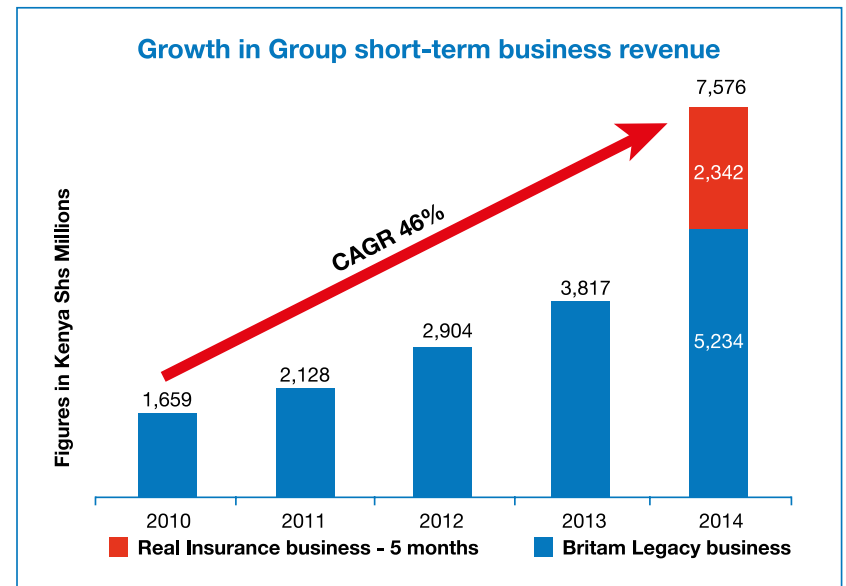
Enhanced customer service experience; In pension business, and especially for umbrella and IPPs, customer service is the key differentiator. Our investment in IT will enable us to streamline our internal processes and strength our client relationships and therefore have an edge against our competition.

The entire pensions business in Kenya is worth approximately Shs 700 billion in terms of assets under management, out of which insurers control only Shs 70 billion. In addition, Britam controls only 11.4% of the pensions business controlled by insurers. There is therefore a lot of scope for Britam and the insurance industry at large to grow its presence in this market and we have confidence in the successful execution of our strategy.

SHORT-TERM BUSINESS

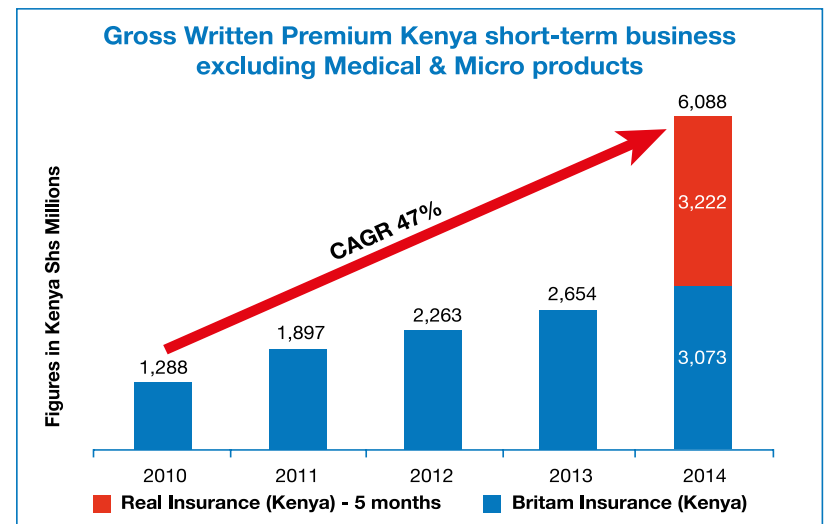
The general insurance business in the Group has continued to experience strong year on year growth as the Britam Group seeks to become the leading Pan African General Insurer of choice.

The organic business of Britam has experienced CAGR of 46% in the last four years and grew by 98% from 2013.



Short-term business in Kenya

The general insurance business in Kenya (including the 5 months of Real Kenya business) contributed 40.7% of the total Group revenues. The general insurance business in Kenya continues to deliver good returns on the back of a challenging business environment, which has forced consolidation in the general insurance industry.



BUSINESS REVIEW (Continued)

Gross written premiums for Kenyan general business products excluding Medical and micro insurance products business grew by 129%.

We focus on risk management and claims control to improve performance, despite market pressures that affected the performance of the motor private business.

Synergies arising from merger with Real Insurance Company Limited (Kenya)

With this business returning consistent year on year underwriting profit over the last five years, further synergies arising from the merger of the Britam and Real businesses provides an opportunity for a higher and more stable underwriting performance in future.

This will result from economies of scale as a result of:

- A larger book of business resulting in a more stable claims experience,
- A lower cost of reinsurance and efficient reinsurance strategy due to increased capacity arising from a larger balance sheet and increased diversification of risks,
- An improved combined investment management capability,
- A larger and more efficient combined distribution network,
- Increased efficiency and effectiveness in the cost of processing.

These synergies are particularly invaluable with the expected increased competition in the general insurance business in Kenya, with increased capital investment by existing players and with established life insurers also seeking to enter the general insurance market via acquisitions.

The general insurance businesses for Mozambique, Tanzania and Malawi are also expected to contribute positively to the underwriting result of the group.

Increased customer outreach and enhanced customer service experience:

Sales have been leveraged on the move to increase the branch network. 2014 has also seen an increase in our distribution network in an effort to increase our reach to current and future policyholders. This coupled with an increased brand visibility from Britam's advertising campaign has been to establish Britam as the general insurer of choice.

An enhanced and larger bancassurance partner network is central to the general insurance business strategy. Business obtained from our bancassurance partners, which currently stands at 47% of gross written premium, is the largest in the market. Our bancassurance partner network now stands at 15 banks and our innovative products and an enhanced

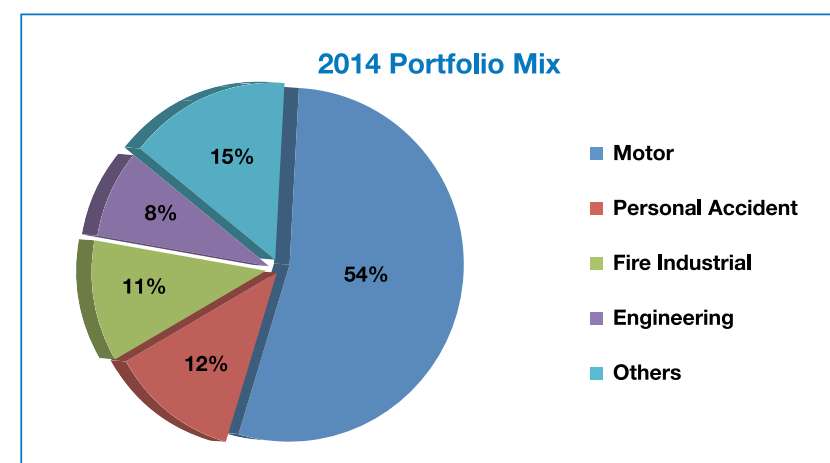
service provision are key to maintaining this growing business channel.

In addition to the cross selling opportunities offered by the merger with Real Insurance, better IT systems provide an additional cross selling opportunity within the Group. These systems will increase customer interaction with the general insurance business and enable the business identify and address the needs of our esteemed policyholders and the market by innovating products that meet these needs.

Mix of business

The motor classes (motor private and motor commercial) make up a significant portion of the non-life business at 54% in Kenya. This is in line with the target at the start of the year to have motor business making up no more than 55% of our portfolio.

We continue to closely monitor our portfolio to ensure that the targeted loss ratio (55%) is met in all classes.



Medical Insurance

Medical insurance is a protection instrument that indemnifies (covers) the insured against medical expenses. This line of business comprises inpatient and outpatient cover with typical rider benefits such as last expense (funeral cover), disability benefit, personal accident cover and income replacement (hospital cash). Maternity, dental, optical, elective surgery, pre-existing conditions (including congenital impairments) are typically treated under sub-limits within the broader cover limits of either the inpatient or outpatient cover limits.

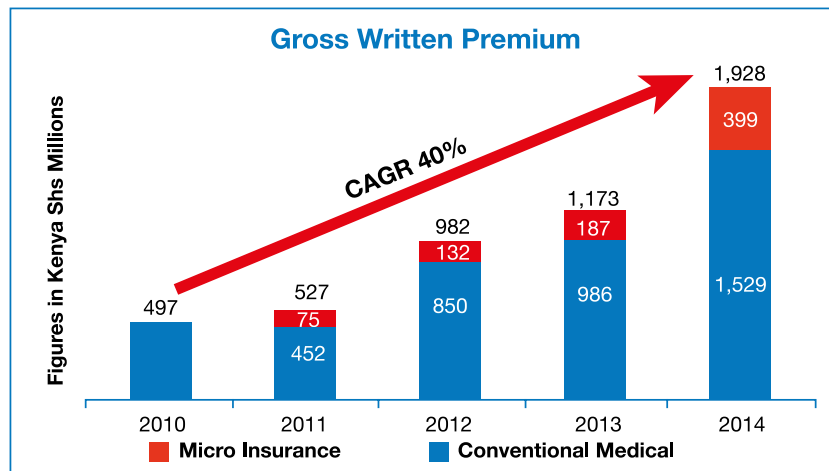
The products serve a wide range of clientele whose needs include: cover for children or dependents, cover for parents, meeting funeral expenses,

healthcare costs in old age etc. Medical insurance is offered in 3 countries; Kenya, South Sudan and Rwanda.

Business growth and underwriting performance

The gross written premium written by Britam medical business grew by 92% in year 2014 from the Shs1.2 billion recorded in the year 2013. The microinsurance business contributed Shs 399 million to the Shs 1.98 billion booked in year 2014. 5 months premium from the medical business of Real insurance business contributed 15% of the medical business revenue of the group.

The business has demonstrated an annualized growth of 40% over the last 4 years on the back of increased micro insurance business and an increased focus on group medical business. As the business grows, experience garnered in the micro insurance sales has led to improved product development and pricing. This coupled with increased economies of scales will lead to better underwriting results for the whole medical portfolio going forward.



Distribution channels

A key driver of sales has been an increase in our branch network. There was a deliberate drive, in 2014, to increase our distribution network in an effort to improve our reach to current and future policyholders. This coupled with an increased brand visibility from Britam's advertising campaign established Britam as the medical insurer of choice.

Business generated from our bancassurance distribution channel, currently stands at 47% of gross written premium. Our bancassurance partner network now stands at 15 banks.

Innovative products

In 2014, Britam launched the Linda Jamii medical product which was Britam's answer to low income mass market insurance. There will be a

shift in focus in 2015 towards offering corporate and group micro health solutions to ensure sustainability of the business and reduce the risk of anti-selection.

State of the art administration system

The Medical division will in 2015 implement a new administration system which will increase operational efficiencies, maintain data integrity and simultaneously improve client experience.

Management outlook

Conventional medical insurance products have also been tailored towards new markets in the form of County Government staff cover schemes as well as Small and Medium Sized Enterprises. Consequently, the outlook for medical business in 2015 is therefore positive.

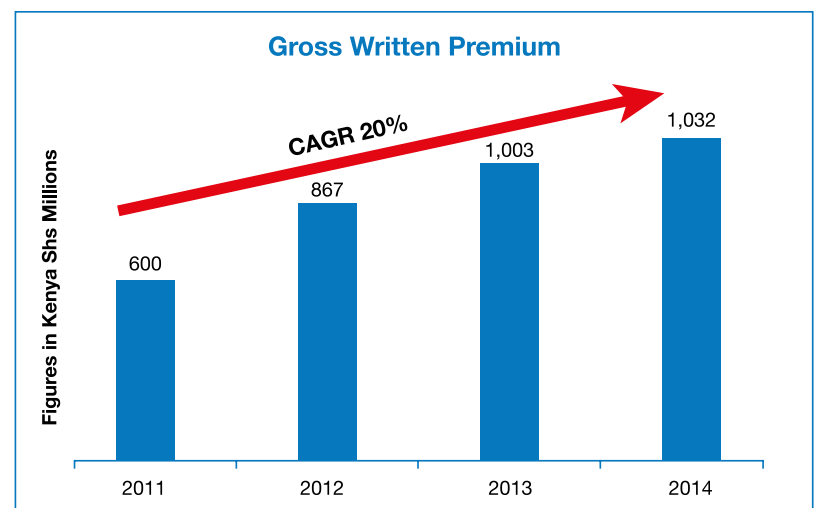
Awards won

During the Think Business Insurance Awards, the medical business scooped the Medical Insurer of the Year Award (Position One). World Finance recognised British-American Insurance Company (Kenya) Limited as the best life insurance company in Kenya for the second consecutive year. CFI also recognised the company as the best insurance company in Kenya for the second consecutive year.

REGIONAL BUSINESSES

Tanzania

The Company has been in operation since 1998. Over the last 3 years, the Company has grown, in terms of written premium, by 20% to Shs 1.03 billion in 2014. The growth in premium is especially attributed to the motor and accident classes of business which achieved significant growth through the Company's brokerage and agency network.



BUSINESS REVIEW (Continued)

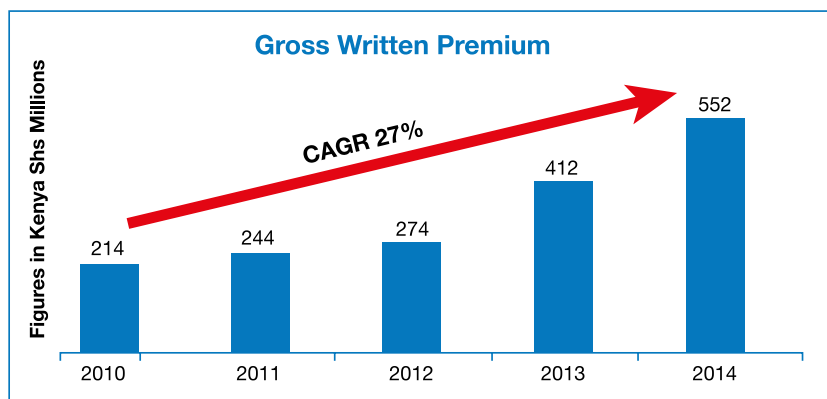
In 2014, the Company had a total comprehensive loss of Shs 42 million occasioned by underwriting losses in the motor business. This compares to a profit of Shs 44 million in 2013 and Shs 35 million in 2012.

Going forward, the Company's aim is to improve its profitability through the introduction of innovative products, focus on value-addition on customer services as well as selectively expanding its branches and exploring alternative business channels such as supermarkets while carefully managing both costs and risks.

Malawi

Real Insurance Company of Malawi Limited was listed on the Malawi Stock Exchange in September 2008 and was recapitalized in December 2012. Since the recapitalization, the company has grown in revenue and profitability, with written revenues of Shs 552 million in 2014. Over the past four years, the gross written premiums have grown by 27%.

The chart shows the company's growth trajectory since 2010

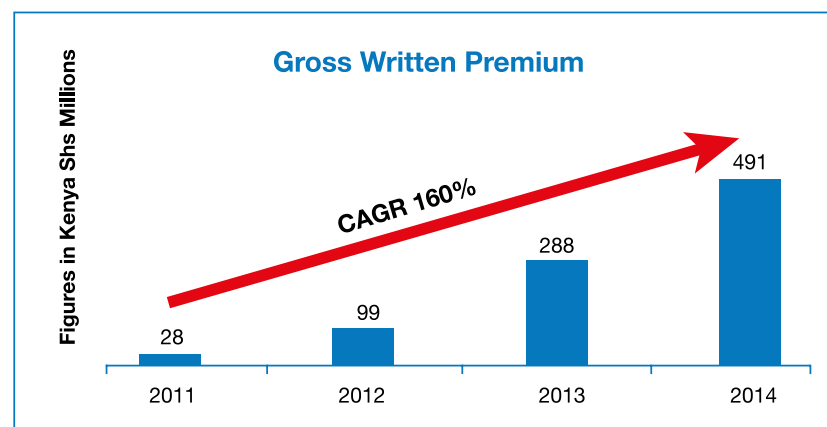


The Company is the fourth largest insurer in Malawi with a market share of 11%. The Company's continued innovation in product offering, along with expansion into new delivery channels will see it grow its market share over the next three years to 20%. In addition, improved operational efficiency will see a continued growth in profitability.

Malawi's Economy grew by 6% in 2014, up from 4.3% in 2013. This growth is predicted to continue over the medium term, which bodes well for the insurance industry. The company is well poised to profit from this growth.

Uganda

Britam Insurance Company (Uganda) Limited is a fully owned subsidiary of Britam. The year 2014 marked the fourth year of operations in the Ugandan insurance market. The business has experienced growth of 160% since its inception with Shs 491 million in gross written premiums being recorded in 2014. The business broke even in 2014, registering a profit after tax of Kenya Shs 55 million.



The growth has been achieved through strong business from leading insurance brokers, strategic alliance partners and direct customers and by superior and value addition focused products and service which will continue to be one of our distinct differentiators.

The business continues to position itself to take advantage of upcoming oil production and infrastructure projects including roads, railways and hydro power generation. Britam Uganda is well prepared to sustain its growth momentum despite new competition largely due to its top service level and innovation in terms of new products that resonate with the market in addition to rolling out services through new distribution channels.

South Sudan

Britam Insurance Company Limited (South Sudan) is a fully owned subsidiary of Britam. South Sudan business has shown tremendous performance in two years since its incorporation. The business made a profit after tax of Shs 27 million in its second year of operations from a loss of Shs 36 million in 2013. Gross written premium grew by 137% from Shs 202 million in 2013 to Shs 479 million in 2014.

Political unrest remains a threat to the growth and prosperity of this nation. The government has been on course in developing infrastructure including roads, airports, bridges, etc. These projects create an opportunity for the insurance sector. The projects will also boost the local economy and will be an attraction for foreign investments. All these are however pegged on the country focusing on establishment and implementation of a sustainable peace agreement. We are hopeful that the peace agreement will be reached and hence we believe there is a strong growth potential.

The Company's innovative and value adding products, partnerships with leading intermediaries, banks and other strategic partners has and will continue to contribute to new business acquisition and growth.

Rwanda

Britam Insurance Company (Rwanda) Limited is a fully owned subsidiary

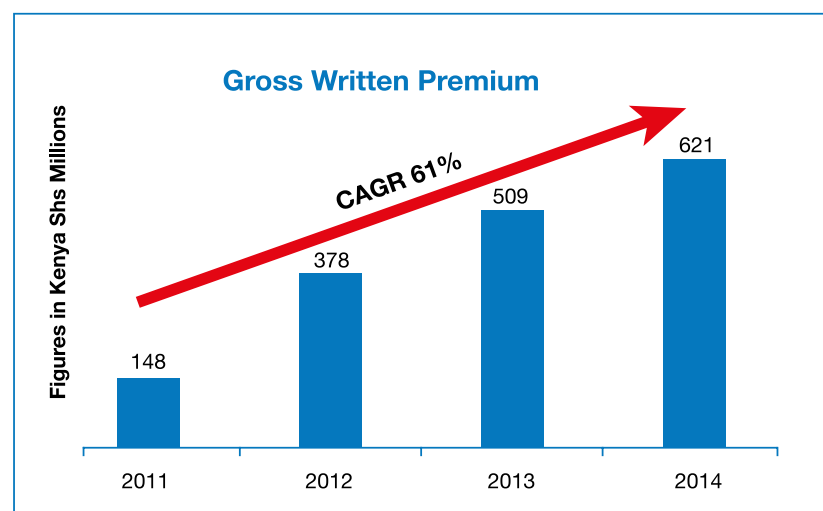
of Britam. It was registered in Rwanda in May 2013 and licensed to start its operations on 11th November, 2013. It is the youngest business unit of the Britam family. It is registered to engage in non-life insurance and activities auxiliary to insurance and financial services.

In its first year of operation, the business has shown satisfactory growth having achieved gross earned premium income of Shs 80 million. The Company is still in its development stage as it continues to build up scale. The institutional and infrastructure improvements are very exciting and present significant insurable risks. This avails the insurance industry an opportunity to provide risk and insurance solutions to the market players.

The future outlook of Rwanda is bright and Britam's expansion into the country is a confirmation of the shareholders' strong and long-term confidence in the enormous business potential that the Rwanda market and the entire East Africa region offer.

Mozambique

The year 2014 marked the Company's fourth year of operation in Mozambique. The business has experienced growth of 61% since its inception with Shs 621m in gross written premiums being recorded in 2014. The business broke even in 2014, registering a profit before tax of Shs 37 million. The business continues to position itself to take advantage of coal and gas production and infrastructure projects by providing innovative and unique risk solutions to this clientele.



ASSET MANAGEMENT BUSINESS REVIEW

The Capital Markets Master Plan 2014 - 2023 identifies key pillars instrumental to the development of not only the asset management industry but the capital markets as a whole in enhancing economic development.

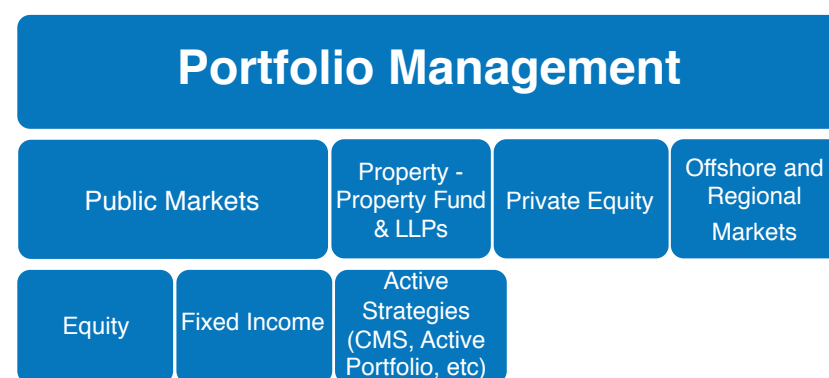
Two building blocks critical to the asset management industry are;

- Being a gateway for regional and international capital flow, thus providing support for developmental and economic transformation.
- Deepening the capital markets and enhancing liquidity.

The asset management business currently contributes 4.7% of the Group's revenue and this is expected to grow year on year. The second largest business of the Group, the Asset Management Company was started in 2004 to fill in the gap that existed in the provision of quality fund management and investment advisory services. Britam Asset Managers Limited has gradually cut a niche for itself as an innovative fund manager, geared towards developing investment products suitable to varied client needs. We remain the only fund manager in East Africa to have successfully securitised real estate and offered it as an investment product. We have presence in Kenya and are expanding into Uganda and Rwanda.

A licensee of both the Capital Markets Authority (CMA) and the Retirement Benefits Authority (RBA), our client base includes Pension Funds, Corporate institutions, High Net Worth Investors, Global Institutions and Retail Investors. Managing over USD 605 million in Assets Under Management as at end of FY 2014. The business segments include both public markets, real estate, private equity and regional products.

Business Segments



Vanilla Products

Unit Trust Funds: A unit trust is a collective investment scheme where different individuals and institutions pool funds which are invested according to their risk appetite and period of investing. The funds are invested through purchasing of units in various investment funds that might not be available to you as an individual. These include Money Market, Equity Fund, Balanced Fund, Bond Fund and Panafrican fund.

Discretionary management: Tailor-made investment solutions for our clients, mostly pension schemes and insurance companies.

BUSINESS REVIEW (Continued)

Pensions fund management: These are segregated funds for institutions and an Umbrella Pension Scheme targeted at SMEs.

Structured Products

Cash Management Solution: This is a short term fixed deposit account which offers guaranteed higher returns for a fixed tenor, offering above market yields.

Active strategies: This is a high-risk high-return product based on frequency of trading. The strategy seeks to make quick gains from trading in varied listed and unlisted securities.

Real Estate / Property

Development Funds: Provision of equity and mezzanine financing to commercial real estate developments within the 7 countries where Britam operates.

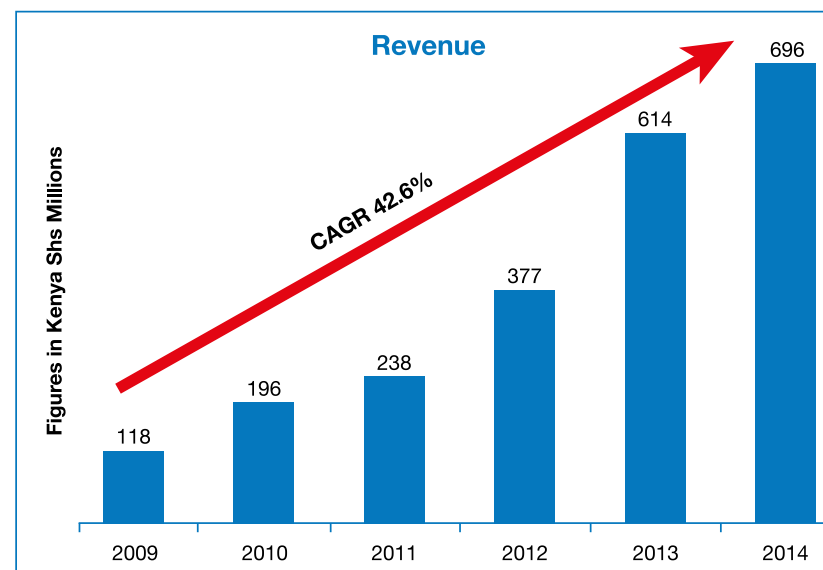
Income Funds: This is the provision of high quality income generating real estate assets, offering attractive yields, stable rental income and clear cash flow.

REIT: The Asset management company is on track to being licensed as a REIT manager by the Capital Markets Authority.

Private Equity: The fund offers investors an opportunity to come together and pool resources to invest in both controlling and minority interest stakes in various companies across Africa. It aims at investing in businesses with a compelling long-term competitive advantage and whose ethical and business values are aligned to British-American Asset Managers.

We believe the coming year will be one of high growth as we tap into new asset classes in our existing markets and new markets driven by the increased Britam footprint. These efforts will be supported by our capable distribution network, whose efficiencies will be enhanced by Project Jawabu.

Revenues have shown a steady growth from Shs 614 million in 2013 to Shs 696 million in 2014. This was driven by an increase in our pension portfolio, our unit trust funds and revenues from our cash management solution.



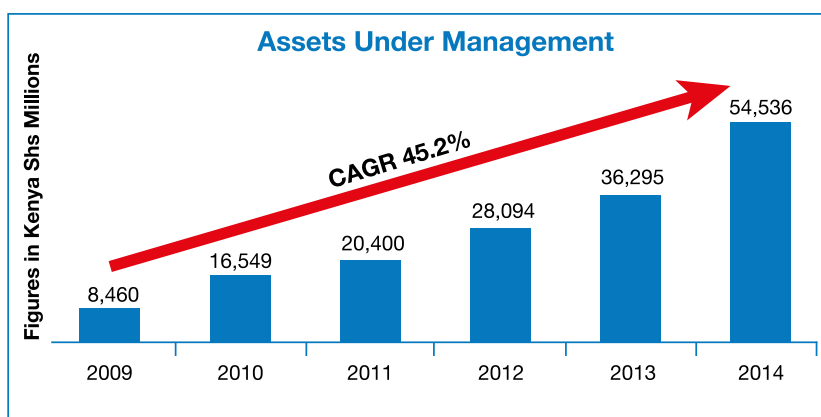
Our focus going forward will be to provide the preferred platform for both local and international capital as they seek to access investment opportunities in Sub Saharan Africa. Through leveraging on our strong brand and networks across the region, we see the Asset Management business continuing to grow based on the regional opportunities that exist in both the listed and unlisted markets.

We will continue to invest in our staff, combining both the global experience with local know how, to further develop innovative products and enhance our client relationship management.

PROPERTY BUSINESS REVIEW

In 2014, the Real Estate sector was the fourth largest contributor to Kenya's GDP, at 10.6% of the total GDP behind Agriculture and Information Communication and Technology, ICT. Growth in the industry was backed by a growing economy coupled with an increase in the urban population (currently at 34% and projected to grow to 54% by 2030) and a slight decrease in the average level of interest rates.

In 2014, the prices of properties for sale and rental rose significantly. Property prices increased by 8.3% whereas rental charges increased by 9.8%. This price upsurge was driven by increased demand for property in Nairobi and its suburbs by Kenya's middle class and institutional investors as well as the emerging landlord class who are increasingly buying properties to let.



The year also saw land prices escalate where land in Nairobi was found to have outperformed other asset classes (International indices for gold, oil and cattle) and commodities as a return on investment. The increasing land prices in the city were predominantly driven by commercial and high density residential developments.

Future outlook:

- The outlook on the sector is positive as major infrastructural projects take off. Work on the Standard Gauge Railway has already began, the LAPPSET project is also underway in addition to expansion of Outer Ring Road which serves as a major linkage between two of Kenya's busiest highways; Thika Road and Mombasa Road.
- The sector is also anticipating growth and liquidity via the newly introduced REITs by the Capital Markets Authority. However, the sector is still waiting for the repercussions of the Capital Gains Tax which came into effect on 1 January 2015.
- Retail - Outlook remains positive in this sector despite the security concerns in the country that have badly affected trade and turnover levels. Construction of major malls such as Two Rivers and Garden City is still ongoing.
- Office - Positive outlook for this sector as there exists total effective demand of 1.3 million square feet of office space. Nonetheless, office space is being mostly affected by poor infrastructure especially in Upper Hill, Nairobi.
- Residential - Due to saturation of three and four bed apartments,

developers are shifting their focus to smaller apartments such as studios and one bed apartments. The prime residential letting has been largely affected by the travel warnings issued by United States of America and Britain.

- Industrial - Outlook for this sector remains positive as Konza city gets back on track and as Textile City in Athi river is scheduled for June 2016.

Britam's property strategy is hinged on the combination of several factors including: the high population growth rates, the rapid urbanization rate and the high economic growth rates that have led to the emergence of a middle class. The combination of these factors have led to the opening up of opportunities in certain market segments namely commercial, residential, retail, mixed use and master planned developments. It is these market segments that the Group intends to invest in.

Britam's property strategy aims to deliver to the market property developments that fill the needs that have been identified above. In addition, with our strategy we aim to leverage on the significant synergies within the Group by tapping into the capabilities and resources in our asset management and insurance businesses as well as affiliated entities like Housing Finance.

Britam property strategy is also focussed on other countries where the Group has operations. These markets have potential returns that are similar or even in some cases higher than Kenya. Our property strategy is informed by market needs and the efficient deployment of capital to ensure maximum returns to our investors and shareholders.

DIRECTORS' STATEMENT

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 2,497,878,000 (2013: Shs 2,315,448,000) has been added to the retained earnings.

The directors recommend the payment of a dividend of Shs 581.5 million (2013: Shs 472.8 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 reinsurers. 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 Risk and compliance functions help 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:

Francis K. Muthaura	-	Chairman
Benson I. Wairegi	-	Group Managing Director
Jimnah M. Mbaru		
Peter K. Munga		
James N. Mwangi		
Nduva Muli		
Agnes N. Odhiambo		
Richard K. Langat	-	Appointed 19 August 2014
Samson K. Kamau	-	Appointed 19 August 2014
Bocar E. Dia	-	Resigned 23 May 2014
Tarun Ghulati	-	Resigned 23 May 2014
Dawood A. Rawat	-	Resigned 22 April 2015
Moussa I. Rawat	-	Resigned 22 April 2015

AUDITOR

The Company's auditor, PricewaterhouseCoopers, has rotated out and Deloitte & Touche has been appointed in office subject to shareholders' approval in accordance with Section 159 (2) of the Companies Act.



Nancy Kiruki

SECRETARY

24 April 2015



STATEMENT OF DIRECTORS' RESPONSIBILITY

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Group's profit or loss. It also requires the directors to ensure that the Company and its subsidiaries keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and its subsidiaries. They are also responsible for safeguarding the assets of the Company and its subsidiaries.

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

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

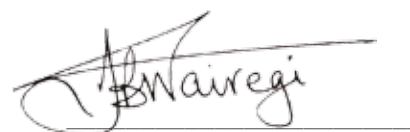
The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company at 31 December 2014 and of the of the Group financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

The financial statements were approved by the board of directors on 24 April 2015 and signed on its behalf by:



Chairman



Group Managing Director

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 72 to 158. These financial statements comprise the consolidated statement of financial position at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2014 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 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

REPORT OF THE INDEPENDENT AUDITOR (Continued)

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial position of the Group and of the Company at 31 December 2014 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

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

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



Certified Public Accountants

Nairobi.

24 April 2015

FINANCIAL STATEMENTS

Consolidated income statement

For the year ended 31 December

	Notes	2014 Shs'000	Restated 2013 Shs'000
Revenue			
Gross earned premium	6	14,045,772	8,847,166
Less: reinsurance premium ceded	6	(2,253,610)	(1,095,967)
Net earned premium	6	11,792,162	7,751,199
Fund management fees	6	696,056	613,511
Net income from investment property	7	782,237	1,059,524
Interest and dividend income	8	2,538,051	1,699,939
Net realised gains on financial assets	9	156,983	232,727
Net unrealised fair value gains on financial assets at fair value through profit or loss	10	4,102,165	3,355,542
Commissions earned	11	620,217	370,520
Other income	12	4,464	47,096
Total revenue		20,692,335	15,130,058
Expenses			
Insurance claims and loss adjustment expenses	13	3,975,798	3,270,310
Less: amount recoverable from reinsurers	13	996,192	(293,259)
Change in actuarial value of policyholder benefits	13	3,051,301	1,925,007
Net insurance benefits and claims		8,023,291	4,902,058
Interest payments/increase in unit value	14	2,035,986	2,204,587
Operating and other expenses	15	4,616,406	3,210,990
Finance costs	16	350,290	-
Commissions expense	17	2,712,987	1,873,285
Total expenses		17,738,960	12,190,920
Profit before share of the profit of the associate		2,953,375	2,939,138
Share of profit of the associates accounted for using the equity method	24	259,007	181,685
Profit before tax		3,212,382	3,120,823
Income tax expense	25	(714,504)	(805,375)
Profit for the year		2,497,878	2,315,448
Profit attributable to:			
- Owners of the parent		2,501,489	2,315,448
- Non-controlling interests	26(iii)	(3,611)	-
Dealt with in the accounts of the Company		1,847,641	1,278,740
Earnings per share for profit attributable to the owners of the parent during the year.			
- basic and diluted (Shs per share)	27	1.31	1.21

The notes on pages 81 to 158 are an integral part of these financial statements



Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	2014 Shs'000	Restated 2013 Shs'000
Profit for the year		2,497,878	2,315,448
Other comprehensive income items, net of tax:			
Items that will not be reclassified to profit or loss			
Gains on revaluation of land and buildings	22	22,478	21,793
Gains on revaluation of financial assets at fair value through other comprehensive income	29(i)	3,627,865	1,306,288
Re-measurement of the net defined benefit asset	53	8,090	9,986
Total items that will not be reclassified to profit or loss		3,658,433	1,338,067
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income from associates accounted for using the equity method	24	26,568	-
Currency translation differences		(169,566)	(2,954)
Total items that may be subsequently reclassified to profit or loss		(142,998)	(2,954)
Total other comprehensive income		3,515,435	1,335,113
Total comprehensive income for the year		6,013,313	3,650,561
Attributable to:			
- Owners of the parent		6,016,924	3,650,561
- Non-controlling interests	26(iii)	(3,611)	-

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 25.

The notes on pages 81 to 158 are an integral part of these financial statements

FINANCIAL STATEMENTS

Consolidated statement of financial position

	Notes	As at 31 December		
		2014 Shs'000	Restated 2013 Shs'000	Restated 1 Jan 2013 Shs'000
CAPITAL EMPLOYED				
Share capital	18	193,841	189,145	189,145
Share premium	18	4,263,412	3,164,455	3,164,455
Other reserves	19	12,883,266	8,479,891	4,117,103
Retained earnings	20	3,478,012	2,445,988	2,900,342
Proposed dividend	21	581,525	472,863	472,863
Shareholders' funds		21,400,056	14,752,342	10,843,908
Non-controlling interests	26(iii)	39,616	-	-
Total equity		21,439,672	14,752,342	10,843,908
REPRESENTED BY:				
Assets				
Property and equipment	22	1,328,866	1,163,280	948,236
Intangible assets	23	1,286,293	134,629	113,817
Investment in associates	24	4,863,345	1,867,081	1,459,826
Goodwill	26(i)	1,548,262	-	-
Investment property	28(i)	5,604,555	3,782,181	1,706,057
Investment in property funds	28(ii)	821,979	-	-
Quoted ordinary shares at fair value through other comprehensive income	29(i)	9,910,525	6,109,614	4,937,396
Financial assets at fair value through profit or loss:				
- quoted ordinary shares	29(ii)	11,553,812	7,632,998	6,084,290
- unquoted ordinary shares	30	5,842	3,770	54,009
- unit trusts	31	7,117,166	8,066,022	6,064,687
- corporate bonds		-	-	28,253
- government securities	32(i)	2,495,215	565,093	176,562
Government securities at amortised cost	32(ii)	8,887,987	8,166,134	6,685,780
Corporate bonds at amortised cost	33	1,397,713	591,920	508,358
Mortgage loans and receivables	34	864,753	793,815	812,022
Loans and receivables to policyholders	35	488,084	376,778	309,455
Receivables arising out of reinsurance arrangements	36(i)	930,097	81,228	48,912
Receivables arising out of direct insurance arrangements	36(ii)	2,505,367	1,053,931	540,599
Reinsurers' share of insurance liabilities	37	2,273,207	2,410,417	2,396,262
Deferred acquisition costs	38	355,352	180,389	131,274
Deferred income tax	39	168,290	5,255	4,198
Current income tax		173,832	83,042	32,240
Other receivables	41	955,858	626,201	386,205
Retirement benefit asset	53	72,767	186	-
Investment in liquid funds	42	1,196,323	1,161,326	-
Deposits with financial institutions	42	4,594,079	1,430,092	1,975,913
Cash and bank balances	42	1,050,785	617,196	415,814
Total assets		72,450,354	46,902,578	35,820,165

Consolidated statement of financial position (Continued)

	Notes	As at 31 December		
		2014 Shs'000	Restated 2013 Shs'000	Restated 1 Jan 2013 Shs'000
Liabilities				
Insurance contract liabilities	44	16,146,162	12,416,237	10,670,941
Payable under deposit administration contracts	49	11,201,557	8,109,075	5,787,072
Liabilities under investment contracts	50	6,603,982	6,414,370	4,845,527
Unearned premium	51	5,210,776	1,889,452	1,292,195
Deferred income tax	39	2,765,973	1,903,387	1,424,686
Creditors arising from reinsurance arrangements	36(i)	847,016	107,709	183,861
Creditors arising from direct insurance arrangements		51,190	-	-
Retirement benefit liability		-	-	14,080
Borrowings				
- Britam 2014 medium term note	16	6,000,000	-	-
- Bank loan	16	200,000	-	-
- Interest payable	16	350,290	-	-
Other payables	55	1,633,431	958,913	636,282
Bank overdraft	42	-	116,691	46,810
Current income tax		305	234,402	74,803
Total liabilities		51,010,682	32,150,236	24,976,257
Net assets		21,439,672	14,752,342	10,843,908

The financial statements on pages 72 to 158 were approved for issue by the board of directors on 24 April 2015 and signed on its behalf by:



Chairman



Group Managing Director


Company statement of financial position

	Notes	As at 31 December	
		2014	Restated 2013
		Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	18	193,841	189,145
Share premium	18	4,263,412	3,164,455
Other reserves	19	4,799,880	2,014,935
Retained earnings	20	3,933,135	2,667,019
Proposed dividend	21	581,525	472,863
Shareholders' funds		13,771,793	8,508,417
REPRESENTED BY:			
Assets			
Property and equipment	22	36,408	37,202
Intangible assets	23	50,153	3,525
Investment in subsidiary companies	26(ii)	4,140,612	1,460,100
Investment property	28(i)	670,100	535,000
Investment in property funds	28(ii)	492,243	-
Quoted ordinary shares at fair value through other comprehensive income	29(i)	9,051,585	3,178,840
Financial assets at fair value through profit or loss			
- Quoted ordinary shares	29(ii)	4,121,177	2,534,524
- Unit trusts	31	-	189,748
Receivables from related parties	40	955,218	345,264
Other receivables and loans	41	19,606	-
Investment in liquid funds	42	1,178,784	1,072,427
Deposits with financial institutions	42	1,000,027	59,220
Cash and bank balances	42	59,409	34,863
Total assets		21,775,322	9,450,713
Liabilities			
Borrowings			
- Britam 2014 medium term note	16	6,000,000	-
- Bank loan	16	200,000	-
- Interest payable	16	350,290	-
Deferred income tax	39	474,102	-
Amounts due to related parties	40	785,918	798,343
Other payables	55	193,219	143,953
Total liabilities		8,003,529	942,296
Net assets		13,771,793	8,508,417

The financial statements on pages 72 to 158 were approved for issue by the board of directors on 24 April 2015 and signed on its behalf by:



Chairman



Group Managing 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 2013							
At start of year as previously stated		189,145	3,164,455	5,745,519	2,900,342	472,863	12,472,324
Prior year adjustments	57	-	-	(1,628,416)	-	-	(1,628,416)
Start of the year as restated		189,145	3,164,455	4,117,103	2,900,342	472,863	10,843,908
Transfer of reserves on adoption of IFRS 9		-	-	568,850	(614,074)	-	(45,224)
Comprehensive income							
Profit for the year		-	-	-	2,315,448	-	2,315,448
Other comprehensive income, net of tax		-	-	1,335,113	-	-	1,335,113
Total comprehensive income for the year		-	-	1,335,113	2,315,448	-	3,650,561
Transfer to other reserves	19	-	-	1,305,965	(1,305,965)	-	-
Transactions with owners							
Proceeds from sale of treasury shares	18	-	-	752,860	-	-	752,860
Capitalisation of reserves by subsidiary	19	-	-	400,000	(400,000)	-	-
Dividends:							
- Final for 2012	21	-	-	-	23,100	(472,863)	(449,763)
- Proposed final for 2013	21	-	-	-	(472,863)	472,863	-
Total transactions with owners		-	-	1,152,860	(849,763)	-	303,097
At end of year		189,145	3,164,455	8,479,891	2,445,988	472,863	14,752,342

The notes on page 81 to 158 are an integral part of these financial statements

Consolidated statement of changes in equity (continued)

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Proposed dividends	Total equity	Non-controlling interests	Total equity
Year ended 31 December 2014		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year as previously stated		189,145	3,164,455	10,324,005	2,784,329	472,863	16,934,797	-	16,934,797
Prior period adjustment	57	-	-	(1,844,114)	(338,341)	-	(2,182,455)	-	(2,182,455)
Start of the year as restated		189,145	3,164,455	8,479,891	2,445,988	472,863	14,752,342	-	14,752,342
Comprehensive income									
Profit for the year		-	-	-	2,501,489	-	2,501,489	(3,611)	2,497,878
Other comprehensive income, net of tax		-	-	3,515,435	-	-	3,515,435	-	3,515,435
Unrealised gains transfer on reclassification of assets held at fair value through other comprehensive income to assets held at fair value through profit or loss	19	-	-	(147,469)	147,469	-	-	-	-
Total comprehensive income for the year		-	-	3,367,966	2,648,958	-	6,016,924	(3,611)	6,013,313
Transfer to other reserves	19	-	-	1,035,409	(1,035,409)	-	-	-	-
Transactions with owners									
Issue of shares related to business combination	18	4,696	1,098,957	-	-	-	1,103,653	-	1,103,653
Minority interests at date of acquisition	26(iii)	-	-	-	-	-	-	43,227	43,227
Dividends:									
- Final for 2013	21	-	-	-	-	(472,863)	(472,863)	-	(472,863)
- Proposed final for 2014	21	-	-	-	(581,525)	581,525	-	-	-
Total transactions with owners of the parent recognised directly in equity		4,696	1,098,957	-	(581,525)	108,662	630,790	43,227	674,017
At end of year		193,841	4,263,412	12,883,266	3,478,012	581,525	21,400,056	39,616	21,439,672

The notes on page 81 to 158 are an integral part of these financial statements

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 2013							
At start of year		189,145	3,164,455	335,122	2,817,317	472,863	6,978,902
Transfer of reserves on adoption of IFRS 9		-	-	956,175	(956,175)	-	-
Comprehensive income							
Profit for the year as restated	57	-	-	-	1,278,740	-	1,278,740
Fair value gains on financial assets at fair value through other comprehensive income	29(i)	-	-	723,638	-	-	723,638
Total comprehensive income for the year attributable to the owners of the parent		-	-	723,638	1,278,740	-	2,002,378
Transactions with owners							
Dividends:							
- Final for 2012 paid	21	-	-	-	-	(472,863)	(472,863)
- Proposed final for 2013	21	-	-	-	(472,863)	472,863	-
Total transactions with owners		-	-	-	(472,863)	-	(472,863)
At end of year		189,145	3,164,455	2,014,935	2,667,019	472,863	8,508,417
Year ended 31 December 2014							
At start of year as previously stated		189,145	3,164,455	2,014,935	2,459,633	472,863	8,301,031
Prior period adjustments	57	-	-	-	207,386	-	207,386
At start of year as restated		189,145	3,164,455	2,014,935	2,667,019	472,863	8,508,417
Comprehensive income							
Profit for the year		-	-	-	1,847,641	-	1,847,641
Fair value gains on financial assets at fair value through other comprehensive income	29(i)	-	-	2,784,945	-	-	2,784,945
Total comprehensive income for the year attributable to the owners of the parent		-	-	2,784,945	1,847,641	-	4,632,586
Transactions with owners							
Issue of shares	18	4,696	1,098,957	-	-	-	1,103,653
Dividends:							
- Final for 2013 paid	21	-	-	-	-	(472,863)	(472,863)
- Proposed final for 2014	21	-	-	-	(581,525)	581,525	-
Total transactions with owners		4,696	1,098,957	-	(581,525)	108,662	630,790
At end of year		193,841	4,263,412	4,799,880	3,933,135	581,525	13,771,793

The notes on pages 81 to 158 are an integral part of these financial statements

FINANCIAL STATEMENTS (Continued)

Consolidated statement of cash flows

		2014	2013
		Shs'000	Shs'000
Operating activities			
Cash generated from operations	43	4,143,359	2,271,998
Income tax paid		(786,588)	(392,823)
Net cash generated from operating activities		3,356,771	1,879,175
Investing activities			
Sale of treasury shares	18	-	752,861
Purchase of property and equipment	22	(510,329)	(310,691)
Purchase of intangible assets	23	(1,207,271)	(45,507)
Investment in associates	24	(2,783,850)	(288,012)
Purchase of Real Insurance Company Limited	26(i)	(838,857)	-
Settlement of loan		621,358	-
Purchase of investment property	28(i)	(1,020,640)	(1,080,031)
Purchase in property funds	28(ii)	(892,117)	-
Proceeds from disposal of quoted shares at fair value through other comprehensive income	29(i)	-	481,138
Purchase of quoted shares at fair value through profit or loss	29(ii)	(962,703)	(193,423)
Proceeds from disposal of quoted ordinary shares at fair value through profit or loss	29(ii)	737,426	299,031
Purchase of unquoted ordinary shares at fair value through profit or loss	30	(2,072)	(251)
Net investment in unit trusts at fair value through profit or loss	31	1,863,861	(397,408)
Net investment in government securities at fair value through profit or loss	32(i)	(1,913,319)	(142,999)
Net investment in government securities at amortised cost	32(ii)	(721,853)	(1,718,651)
Net investment in corporate bond held at amortised cost	33	(805,793)	(83,562)
Mortgage loans advanced	34	(159,921)	(168,012)
Mortgage loans repayments	34	157,680	169,957
Policy loans advanced	35	(429,130)	(306,912)
Policy loans repayments	35	316,716	239,589
Dividends received from equity investments at fair value through profit or loss	8	270,697	289,465
Dividends received from equity investments at fair value through other comprehensive income	8	360,585	257,071
Rent and interest received		2,584,888	1,564,568
Net cash used in investing activities		(5,334,644)	(681,779)
Cash flows from financing activities			
Dividends paid		(472,863)	(449,763)
Britam 2014 medium term note		6,000,000	-
Bank loan		200,000	-
Interest paid		-	(627)
Net cash used in financing activities		5,727,137	(450,390)
Net increase/ (decrease) in cash and cash equivalents		3,749,264	747,006
At start of year	42	3,091,923	2,344,917
At end of year	42	6,841,187	3,091,923

The notes on pages 81 to 158 are an integral part of these financial statements



1 General information

British-American Investments Company (Kenya) Limited is incorporated in Kenya under the Companies Act as a private limited liability Company, and is domiciled in Kenya. In the year 2011 it was listed in the Nairobi Securities Exchange. The address of its registered office is:

Britam Centre,
Junction of Mara and Ragati Roads,
Upper Hill,
Nairobi.

The Company acts as an investment company and a holding company for insurance, investment management and property businesses in Kenya, Uganda, Rwanda, South Sudan, Tanzania, Malawi and Mozambique.

The Group comprises eleven entities: British-American Investments Company (Kenya) Limited which is the holding company; British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited, Britam Insurance Company (Uganda) Limited, Britam Insurance Company (Rwanda) Limited, Bramer Properties Limited, Britam Insurance Company (South Sudan) Limited, Real Insurance Company Limited (Kenya), Real Insurance Tanzania Limited, Real Insurance Company of Malawi Limited and Real Comphania de seguros de Mozambique. The group also has two associates; Housing Finance (HF) owned 46.04% and Acorn Group Limited owned 25%.

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

The British-American Asset Managers Limited Company is a wholly owned subsidiary whose principal activity is the provision of investment advisory and fund management services, and is subject to the provisions of the Kenyan Capital Markets Act.

Britam Insurance Company (Uganda) limited is a wholly owned subsidiary which was incorporated in November 2010, and is licensed to underwrite all classes of life and non-life insurance risks as defined by the Ugandan Insurance Act. It is regulated by the Uganda Insurance Commission (UIC).

Britam Insurance Company Limited (South Sudan) is a wholly owned subsidiary which commenced insurance business in South Sudan in March 2012. The company is organised into two main divisions, short term (or general) insurance business and long term assurance business, comprising life assurance and investment management.

Britam Insurance Company (Rwanda) Limited is a wholly owned subsidiary and was registered in Rwanda in May 2013 and licensed to start its

operations in November, 2013. The Company is licensed to engage in non-life insurance and activities auxiliary to insurance and financial services. The company underwrites all classes of non-life insurance.

Bramer Properties Limited is a wholly owned subsidiary that was incorporated in November 2012 and started operations in 2013 with the aim of becoming the leading property development company in Eastern Africa in the area of retail and office properties. The Company's focus is on property development including master planned communities, shopping malls, commercial mixed use development, Commercial offices, affordable and modular housing and budget hotels.

Real Insurance Company Limited (Kenya), is 99% owned by Britam. It was acquired by the Group on 1 August 2014. The company underwrites various classes of general insurance business. The classes of business are based on the nature of the assumed risk. The Company also partially owned 3 subsidiaries; Real Insurance Tanzania Limited owned 55%, Real Insurance Company of Malawi Limited owned 65% and Real Comphania de seguros de Mozambique owned 98%. The Britam Group has since restructured the ownership of Real Comphania de seguros de Mozambique and is now 97% owned by British-American Investments Company (Kenya) Limited.

Real Companhia de Seguros de Moçambique, S.A. is a limited liability company incorporated in 2010 and commenced operations in August 2010. The head office of the Company is in Maputo and the principal objective of the Company is to develop its activities in the insurance area. The Company is licensed to operate non-life insurance and pension fund management. Since inception the Company has engaged only in short-term insurance, which includes among others, fire, motor, marine, aviation, personal accidents, liability and workers compensation.

Real Insurance Tanzania Limited is a company incorporated in 1998 and commenced operations in June 1998. The head office is in Dar es Salaam. The company is licensed to engage in non-life insurance.

Real Insurance Company of Malawi Limited started operating in 1959 making it the oldest insurance company in Malawi. The company was listed in September 2008 on the Malawi Stock Exchange and has its head office in Blantyre and branches in Lilongwe, Zomba and Mzuzu. The company has been exploring only short-term insurance, which includes among others, fire, motor, marine, Engineering, personal accidents, liability and workers compensation.

2 Summary of significant accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(a) Basis of preparation

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

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

(b) Changes in accounting policy and disclosures

(i) *New standards, amendments and interpretations adopted by the Company and the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 and have an impact on the Group:

Amendment to IAS 32, 'Financial instruments: Presentation on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business as well as in the event of default, insolvency or bankruptcy. The amendment did not have a significant effect on the Group financial statement.

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

IFRIC 21 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been adopted early in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

IFRS 15, 'Revenues from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash-flows arising from the entity's contracts with customers. Revenue is recognised when a customer obtains control of a good service or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18 'Revenue' and IAS 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 2017 and earlier application is permitted. The Group is still 'assessing the impact of IFRS 15 and will adopt the amendment prospectively. The Group anticipate no material impact to the financial statements currently.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group early adopted IFRS 9 issued in November 2009.

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

(c) Consolidation

(i) *Subsidiaries*

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

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

Acquisition-related costs are expensed as incurred.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

The consolidated financial statements incorporate the financial statements of British-American Investments Company (Kenya) Limited and all its subsidiaries (whole and partially owned), British American Insurance Company (Kenya) Limited, British-American Asset Managers Limited, Britam Insurance Company (Uganda) Limited, Britam Insurance Company (Rwanda) Limited, Bramer Properties Limited, Britam Insurance Company Limited (South Sudan), Real Insurance Company Limited (Kenya), Real Comphania de suguros de Mozambique, Real Insurance Tanzania Limited and Real Insurance Company of Malawi Limited made up to 31 December 2014. For the acquired Real subsidiaries, consolidation has been done for 5 months only as the effective acquisition date was 31 July 2014.

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

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

(iii) Disposal of subsidiaries

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change

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

(iv) Transactions with minority interests (non-controlling interest)

The Group applies a policy of treating transactions with minority interests (non - controlling interest) as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit or loss.

(v) 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.

When the Group increases its stake in an existing associate continuing to have significant influence but not gaining control, the cost of acquiring the additional stake (including any directly attributable costs) is added to the carrying value of the associate and goodwill arising on the purchase of the additional stake is calculated using fair value information at the date the additional interest is acquired (any negative goodwill is recognised in profit or loss).

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(d) Insurance contracts

(i) Classification

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

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

Long term insurance business

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

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

General insurance business

It is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Aviation insurance, Engineering insurance, Fire insurance - domestic risks, Fire

insurance - industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance - private vehicles, Motor insurance - commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance (i.e. class of business not included under those listed above).

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

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

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

(ii) Recognition and measurement

a) Premium income

For long term insurance business, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission, for general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 an 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.

e) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group

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

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 reinsurers, 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 reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

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

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

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

g) Salvage and subrogation reimbursements

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(e) Functional currency and translation of foreign currencies

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income.

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

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

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

(iii) *Group companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless

this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

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

(f) Segment reporting

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

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

(g) Revenue recognition

(i) *Insurance premium revenue*

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

(ii) *Commissions*

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

(iii) *Rendering of services*

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

These services comprise the activity of trading financial assets in order to reproduce the contractual returns that the Group's customers expect to receive from their investments. Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts. For practical purposes, the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Group recognises these fees on a straight-line basis over the estimated life of the contract. Certain upfront payments received for asset management services ('front-end fees') are deferred and amortised in proportion to the stage of completion of the service for which they were paid.

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

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis; and
- Regular fees are charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(iv) *Interest income*

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

(v) *Dividend income*

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

(vi) *Rental income*

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

(vii) *Realised / unrealised gains and losses*

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

(h) *Investment contracts*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) *Property and equipment*

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

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

Buildings	40 years
Leasehold improvements	10 years
Computer equipment	5 years
Motor vehicles	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 associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

(ii) *Goodwill*

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

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

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

(k) *Impairment of non-financial assets*

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is

NOTES TO THE FINANCIAL STATEMENTS (Continued)

recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(l) Investment property

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

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

Properties under construction and development sites with projected use as investment properties are valued at projected fair values taking into account current market conditions, outstanding investment costs and a risk loading according to the progress of the project.

(m) Financial instruments

As at 1 January 2013 The Group's management adopted IFRS 9. The Group's financial assets are now classified and measured as follows; at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. The classification of the assets to the three categories is based on; the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

(i) Classification of financial assets

a) Classification of financial assets at amortised cost

The Group measures a financial asset at amortised cost if both of the following conditions are met;

- The financial asset is held within the Group with an objective to collect contractual cash flows
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds the following assets at amortised costs; part of its government securities portfolio, part of its corporate bonds portfolio, other receivables, deposits with financial institutions and cash and bank balances.

b) Classification of financial assets at fair value through other comprehensive income

The Group measures financial assets at fair value through other comprehensive income if both of the following conditions are met;

- The financial asset is held within the Group with an objective to both collect contractual cash flows and sell the financial asset
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds part of its quoted ordinary shares portfolio in this category.

c) Classification of financial assets at fair value through other profit or loss

The Group measures financial assets at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Group may at initial recognition irrevocably designate a financial asset as measured at fair value, through profit or loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group holds the following assets in this category; part of its government securities portfolio, part of its corporate bonds portfolio, part of its quoted ordinary shares portfolio and the unit trusts.

(ii) Classification of financial liabilities

The Group classifies financial liabilities in two categories; at amortised cost and at fair value through profit or loss.

a) Classification of financial liabilities at amortised cost

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement

NOTES TO THE FINANCIAL STATEMENTS (Continued)

approach applies.

- Financial guarantee contracts.
- Contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

The Group holds the following liabilities in this category; creditors arising from reinsurance arrangements, other payables and bank overdraft.

b) Classification of financial liabilities at fair value through profit or loss

The Group, at initial recognition irrevocably designates a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- A group of financial liabilities or financial assets is managed and its performance is evaluated on a fair value basis, in accordance with documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The Group holds the following liabilities in this category; payable under deposit administration contracts and liabilities under investment contracts.

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

Group	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
At 31 December 2014				
Financial assets				
Quoted ordinary shares	-	11,553,812	9,910,525	21,464,337
Government securities	8,887,987	2,495,215	-	11,383,202
Corporate bonds	1,397,713	-	-	1,397,713
Unit trusts	-	7,117,166	-	7,117,166
Investment in property funds	-	821,979	-	821,979
Other receivables	943,510	-	-	943,510
Investment in liquid funds	1,196,323	-	-	1,196,323
Deposits with financial institutions	4,594,079	-	-	4,594,079
Cash and bank balances	1,050,785	-	-	1,050,785
Total financial assets	18,070,397	21,988,172	9,910,525	49,969,094
Financial liabilities				
Payable under deposit administration contracts	-	11,201,557	-	11,201,557
Liabilities under investment contracts borrowings	-	6,603,982	-	6,603,982
- Britam 2014 medium term note	6,000,000	-	-	6,000,000
- Bank loan	200,000	-	-	200,000
- Interest payable	350,290	-	-	350,290
Creditors arising out of reinsurance arrangements	847,016	-	-	847,016
Creditors arising out of direct insurance arrangements	51,190	-	-	51,190
Other payables	1,633,431	-	-	1,633,431
Total financial liabilities	9,081,927	17,805,539	-	26,887,466

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Company	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
At 31 December 2014	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Financial assets				
Quoted ordinary shares	-	4,121,177	9,051,585	13,172,762
Investment in property funds	-	492,243	-	492,243
Other receivables	19,606	-	-	19,606
Investment in liquid funds	1,178,784	-	-	1,178,784
Deposits with financial institutions	1,000,027	-	-	1,000,027
Cash and bank balances	59,409	-	-	59,409
Total financial assets	2,257,826	4,613,420	9,051,585	15,922,831
Financial liabilities				
Borrowings				
- Britam 2014 medium term note	6,000,000	-	-	6,000,000
- Bank loan	200,000	-	-	200,000
- Interest payable	350,290	-	-	350,290
Amount due to related parties	785,918	-	-	785,918
Other payables	193,218	-	-	193,218
Total financial liabilities	7,529,426	-	-	7,529,426

Group

At 31 December 2013

Financial assets				
Quoted ordinary shares	-	7,632,998	6,109,614	13,742,612
Government securities	8,166,134	565,093	-	8,731,227
Corporate bonds	591,920	-	-	591,920
Unit trusts	-	8,066,022	-	8,066,022
Other receivables	626,201	-	-	626,201
Investment in liquid funds	1,161,326	-	-	1,161,326
Deposits with financial institutions	1,430,092	-	-	1,430,092
Cash and bank balances	617,196	-	-	617,196
Total financial assets	12,592,869	16,264,113	6,109,614	34,966,596
Financial liabilities				
Payable under deposit administration contracts	-	8,109,075	-	8,109,075
Liabilities under investment contracts	-	6,414,370	-	6,414,370
Creditors arising from reinsurance arrangements	107,709	-	-	107,709
Other payables	958,913	-	-	958,913
Bank overdraft	116,691	-	-	116,691
Total financial liabilities	1,183,313	14,523,445	-	15,706,758

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Company	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
At 31 December 2013	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Financial assets				
Quoted ordinary shares	-	2,534,524	3,178,840	5,713,364
Unit trusts	-	189,748	-	189,748
Investment in liquid funds	1,072,427	-	-	1,072,427
Deposits with financial institutions	59,220	-	-	59,220
Cash and bank balances	34,863	-	-	34,863
Total financial assets	1,166,510	2,724,272	3,178,840	7,069,622
Financial liabilities				
Amounts due to related parties	798,343	-	-	798,343
Other payables	143,953	-	-	143,953
Total financial liabilities	942,296	-	-	942,296

(iii) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

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

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

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

(iv) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events

that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(n) Renegotiated loans

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

(o) Cash and cash equivalents

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

(p) Employee benefits

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

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

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

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

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

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

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

The liabilities are long-term in nature, comprising the expected future

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

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

Pensioner longevity risk reflects the fact that the liabilities for pensions in payment is based on assumptions as to the future mortality of present and future pensioners and their contingent beneficiaries. A longer emerging life expectancy than that implied by the mortality tables currently in use will create a plan deficit over time. The plan’s pensioner population is too small to develop plan-specific mortality assumptions.

The Group also provides;

- Annual paid leave, the cost of which is expensed as earned.
- Incentive bonus: Staff is entitled to a bonus which is based on preset performance parameters on an annual basis. The full cost of the bonus is expensed in the year in which it is earned.

(q) Income tax

(i) Current income tax

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

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(r) Borrowings

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

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

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

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

(s) Dividends

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

(t) Share capital

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

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

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

3 Critical accounting estimates and judgements

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

- Actuarial liabilities (see Notes 47 & 48 for the carrying amounts of these liabilities and assumptions respectively)
- Valuation of unquoted investments Note 4(f)
- Fair valuation technique and model of financial assets Note 4(f)
- Classification of financial instruments. As disclosed in Note 2(m)
- Whether land and building meet criteria to be classified as investment property as disclosed in Note 2(l)
- Impairment of goodwill (Note 26(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, foreign exchange risk and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Group's risk management policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which

NOTES TO THE FINANCIAL STATEMENTS (Continued)

help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit function helps to monitor that these policies are followed.

(a) Insurance risk - Group

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

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

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

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

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

Year ended 31 December 2014		Class of business	Shs Millions	Maximum insured loss			Total Shs'000	
				0 – 15 Shs'000	15 – 250 Shs'000	Over 250 Shs'000		
General Insurance business – Sum assured	Motor	Gross		74,184,147	19,682,987	5,240,541	99,107,675	
		Net		72,176,982	19,780,843	6,266,734	98,224,559	
	Fire	Gross		34,418,960	105,509,977	487,905,421	627,834,358	
		Net		29,696,047	75,689,926	106,849,772	212,235,745	
	Personal accident	Gross		31,608,279	45,465,894	210,719,382	287,793,555	
		Net		18,671,036	13,471,516	38,816,260	70,958,812	
	Other	Gross		35,088,233	73,096,411	339,338,084	447,522,728	
		Net		33,929,413	47,285,139	51,115,358	132,329,910	
	Long term business	Ordinary life	Gross		152,125,307	3,415,202	-	155,540,509
			Net		135,513,512	-	-	135,513,512
Group life		Gross		235,796,590	31,967,786	2,860,726	270,625,102	
		Net		216,494,097	688,423	9,810	217,192,330	
Total	Gross		563,221,516	279,138,257	1,046,064,154	1,888,423,927		
	Net		506,481,087	156,915,847	203,057,934	866,454,868		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2013			Maximum insured loss				
Class of business	Shs Millions		0 – 15	15 – 250	Over 250	Total	
			Shs'000	Shs'000	Shs'000	Shs'000	
General Insurance business – Sum assured	Motor	Gross	22,736,341	2,741,591	3,071,309	28,549,241	
		Net	22,393,058	2,206,377	3,071,309	27,670,744	
	Fire	Gross	12,658,968	37,591,953	91,641,114	141,892,035	
		Net	12,446,743	24,268,244	213,002	36,927,989	
	Personal accident	Gross	15,140,576	3,989,612	3,096,439	22,226,627	
		Net	11,900,926	1,707,699	82,849	13,691,474	
	Other	Gross	7,711,703	25,600,802	100,498,260	133,810,765	
		Net	7,662,053	16,657,017	2,801,559	27,120,629	
	Long term business	Ordinary life	Gross	120,083,720	1,644,261	-	121,727,981
			Net	111,872,845	-	-	111,872,845
Group life		Gross	183,483,622	45,938,481	-	229,422,103	
		Net	107,866,061	79,196	-	107,945,257	
Total	Gross	361,814,930	117,506,700	198,307,122	677,628,752		
	Net	274,141,686	44,918,533	6,168,719	325,228,938		

A 10% change in the Group's claims experience would result in a Shs 397,580,000 change in the Group's profit for the year (2013: Shs 326,978,000).

(b) Credit risk - Group and Company

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

- Investment balances;
- Reinsurers' share of insurance liabilities;
- Mortgage loans and receivables;
- Loans and receivables to policy holders;
- 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 counterparties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating. The Company classifies counterparties without an external credit rating as below:

Group 1 - new customers/related parties.

Group 2 - existing customers/related parties with no defaults in the past.

Group 3 - existing customers/related parties with some defaults in the past and the defaults having been fully recovered.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Maximum exposure to credit risk before collateral held

Company		Assets	Credit rating	Group	
2014 Shs'000	2013 Shs'000			2014 Shs'000	2013 Shs'000
-	-	Government securities at fair value through profit or loss	B+	2,495,215	565,093
-	-	Government securities held at amortised cost	B+	8,887,987	8,166,134
-	-	Receivables arising out of reinsurance arrangements	AA-	930,097	81,228
-	-	Corporate bond at amortised cost	Group 2	1,397,713	591,920
-	189,748	Unit trusts	Group 2	7,117,166	8,066,022
492,243	-	Investments in property funds	Group 2	821,979	-
-	-	Mortgage loans and receivables	Group 2	864,753	793,815
-	-	Loans to policyholders	Group 2	488,084	376,778
-	-	Receivables out of direct insurance arrangements	Group 2	2,505,367	1,053,931
-	-	Reinsurers' share of insurance contract liabilities	Group 2	2,273,207	2,410,417
955,218	672,881	Receivables from related parties	Group 2	-	-
18,772	-	Other receivables (excluding prepayments)	Group 2	868,216	606,261
1,000,027	59,220	Deposits with financial institutions	Group 2	4,594,079	1,430,092
1,178,784	1,072,427	Investment in liquid funds	Group 2	1,196,323	1,161,326
59,359	34,813	Cash and bank balances (excluding cash in hand)	Group 2	1,050,285	616,696
3,704,403	2,029,089	Total		35,490,471	25,919,713

The above table represents a worst case scenario of credit risk exposure to the Group and Company at 31 December 2014 and 2013, 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. Other receivables balance shown in the table is less prepaid amounts while the cash and bank balances are less of cash in hand balances.

As shown above, 25% of the total maximum exposure is derived from government securities (2013: 35%) and 20% to the unit trusts (2013: 33%). In the opinion of the directors there is no other significant concentration of the credit risk at year end.

Mortgage loans are secured by collateral in the form of charges over land and building and/or plant and machinery or corporate guarantees. Policy loans are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to Shs 2,233,882,000 (2013:

Shs 2,016,337,000) while the surrender values of the policies with loans amounted to Shs: 2,022,540,000(2013: Shs 2,013,207,000). In case of default the collateral would be realised thereby reducing the Group's credit risk.

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

- the Group exercises stringent controls over the granting of new loans
- 96% (2013: 97%) of the mortgages portfolio are neither past due nor impaired
- 100% (2013: 100%) of the mortgages portfolio are backed by collateral
- 81% (2013: 81%) of the investments in debt securities are government securities

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The credit quality for the receivables that are past due but not impaired, can be classified as below:

	2014	2013
	Shs'000	Shs'000
Receivables from direct insurance arrangements		
Counterparties without external credit rating - Group 2	2,505,367	1,053,931
Total	2,505,367	1,053,931

Group

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:

		2014	2013
		Shs 000	Shs 000
Past due up to 30 days	Group 1	4,236	4,190
Past due 31 - 60 days	Group 1	4,158	4,184
Past due 61 - 180 days	Group 1	35,958	14,282
Total		44,352	22,656

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 51,293,000 as at 31 December 2014 (2013: Shs 41,335,000) were secured by collateral of Shs 642,198,000 (2013: Shs 77,852,000)

As at 31 December 2014 and 31 December 2013, there are no repossessed collateral and there were no renegotiated loans. The movement in the provision account is included in Note 34.

Receivables from direct insurance arrangements

Receivables from direct insurance arrangements are summarised as follows:

		2014	2013
		Shs 000	Shs 000
Past due but not impaired	Group 2	2,505,367	1,053,931
Impaired	Group 2	71,343	6,768
Gross		2,576,710	1,060,699
Less: Provision for impairment		(71,343)	(6,768)
Net		2,505,367	1,053,931
Movements in the provision account :			
At 1 January		6,768	6,768
Increase		64,575	-
At 31 December		71,343	6,768

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2014	2013
	Shs '000	Shs '000
Past due 1 – 60 days	1,338,120	534,441
Past due 61 – 90 days	246,413	147,380
Past due 91 - 180 days	902,386	372,110
Over 180 days	18,448	-
Total	2,505,367	1,053,931

These receivables from direct insurance arrangements are unsecured.

Receivables from direct insurance arrangements individually impaired

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

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

The other financial assets as included in the maximum exposure to credit risk table are neither past due nor impaired.

(c) Liquidity risk

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

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

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

Group	Carrying values	0 – 4	5-12	1-5	Over 5	Totals
At 31 December 2014	Shs '000	Months Shs '000	Months Shs '000	Years Shs '000	Years Shs '000	Shs '000
Liabilities						
Insurance contract liabilities	16,146,162	1,239,630	612,398	1,345,954	29,644,523	32,842,505
Amounts payable under deposit administration contracts	11,201,557	681,301	1,362,601	6,247,080	10,565,016	18,855,998
Liabilities under investment contracts	6,603,982	272,978	662,780	5,055,297	2,603,712	8,594,767
Creditors arising from direct insurance arrangements	51,190	51,190	-	-	-	51,190
Creditors arising out of reinsurance arrangements	847,016	847,016	-	-	-	847,016
Britam 2014 medium term note	6,000,000	260,000	520,000	8,774,000	-	9,554,000
Bank loan	200,000	9,667	229,000	-	-	238,667
Interest payables	350,290	350,290	-	-	-	350,290
Other payables	1,633,431	640,458	992,973	-	-	1,633,431
Total financial liabilities (at contractual maturity dates other than insurance contracts liabilities which are based on expected maturity dates)	43,033,628	4,352,530	4,379,752	21,422,331	42,813,251	72,967,864

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 31 December 2013	Carrying values Shs '000	0 – 4 Months Shs '000	5 – 12 Months Shs '000	1 – 5 Years Shs '000	Over 5 Years Shs '000	Totals Shs '000
Liabilities						
Insurance contract liabilities	12,416,237	563,395	761,335	5,464,935	26,838,133	33,627,798
Amounts payable under deposit administration contracts	8,109,075	410,549	1,211,266	4,803,357	7,923,143	14,348,315
Liabilities under investment contracts	6,414,370	106,946	336,524	4,622,220	3,625,113	8,690,803
Creditors arising out of reinsurance arrangements	107,709	107,709	-	-	-	107,709
Other payable	958,913	701,886	257,027	-	-	958,913
Bank overdraft	116,691	116,691	-	-	-	116,691
Total financial liabilities (at contractual maturity dates other than insurance contracts liabilities which are based on expected maturity dates)	28,122,995	2,007,176	2,566,152	14,890,512	38,386,389	57,850,229

Company	Carrying values Shs '000	0 – 4 Months Shs '000	5 – 12 Months Shs '000	1 – 5 Years Shs '000	Totals Shs '000
At 31 December 2014					
Liabilities					
Britam 2014 medium term note	6,000,000	260,000	520,000	8,774,000	9,554,000
Bank loan	200,000	9,667	229,000	-	238,667
Interest payable	350,290	350,290	-	-	350,290
Due to related parties	785,918	-	-	785,918	785,918
Other payables	193,019	67,605	125,414	-	193,019
Total financial liabilities (expected maturity dates)	7,529,427	687,562	874,414	9,559,918	11,121,894

At 31 December 2013

Liabilities					
Due to related parties	798,343	-	-	798,343	798,343
Other payables	143,953	-	143,953	-	143,953
Total financial liabilities (expected maturity dates)	942,296	-	143,953	798,343	942,296



NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Market risk (i) Price risk

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

At 31 December 2014, if the Nairobi Securities Exchange (NSE) Index had changed by 15% (2013: 15%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated post tax profit for the year would have been Shs 1,213,150,000 (2013: Shs 1,062,730,000) higher/lower, and the equity would have been Shs 1,213,150,000 (2013: Shs 2,059,466,000) higher/lower. The Company's post tax profit for the year would have been Shs 618,177,000 (2013: Shs 182,931,000) higher/lower, and the Company's equity would have been Shs 618,177,000 (2013: Shs 226,920,000) higher/lower.

Similarly a change in the price by 15% (2013: 15%) of other equities held at fair value through other comprehensive income would affect the Group's reserves and other shareholder funds for the year Shs 1,566,873,000 (2013: Shs 182,931,000), these equities would have been Shs 1,040,605,000 (2013: Shs 226,920,000) higher/lower. In the Company a change in the price by 15% (2013: 15%) of other equities held at fair value through other comprehensive income would affect the Company's reserves and other shareholder funds for the year Shs 1,357,738,000 (2013: Shs 182,931,000), these equities would have been Shs 1,357,738,000 (2013: Shs 226,920,000) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2014, the group held shares in Equity Bank Limited amounting to Shs 18,686,751,000 (2013: Shs 11,490,144,000) or 26% (2013: 24.5%) 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, investment in liquid funds, government securities, fixed deposits with financial institutions and policy loans are all at fixed rate. Other assets; cash and interest earning bank balances are at floating rate. The Group also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing.

The Group manages its cash flow interest rate risk by ensuring that only minimum amounts necessary for running the business operations are kept as cash and bank balances.

At 31 December 2014, if the yield on cash and bank balances held at amortised cost had been 1% (2013 1%) higher/lower with all other variables held constant, the Group's post tax profit for the year would have been Shs 7,352,000 (2013: Shs 4,317,000) higher/lower. The Company did not have a material exposure to interest rate risk in 2014 and 2013.

(iii) Foreign exchange risk

Group

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

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

At 31 December 2014, if the UGX had strengthened/weakened by 5% (2013: 5%) against the Kenya shilling with all other variables held constant, post-tax profit for the Group for the year would have been Shs 2,709,000 (2013: Shs 3,163,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated trade receivables and payables.

At 31 December 2014, if the SSP had strengthened/weakened by 5% (2013: 5%) against the Kenya shilling with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,365,000 (2013: Shs 1,666,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and payables.

At 31 December 2014, if the RWF had strengthened/weakened by 5% (2013: 5%) against the Kenya shilling with all other variables held constant, post-tax profit for the Group for the year would have been Shs 5,221,000 (2013: Shs 3,477,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and payables.

At 31 December 2014, if the TZS had strengthened/weakened by 5% (2013: 5%) against the Kenya shilling with all other variables held constant, post-tax profit for the Group for the year would have been Shs 762,000 (2013: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and payables.

At 31 December 2014, if the MWK had strengthened/weakened by 5% (2013: 5%) against the Kenya shilling with all other variables held constant, post-tax profit for the Group for the year would have been Shs 139,000 (2013: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 31 December 2014, if the MZN had strengthened/weakened by 5%(2013: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,316,000 (2013: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated trade receivables and payables.

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

Company

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

(e) Capital management

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

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

the capital requirements set by the various regulatory statutory acts in individual countries.

The Group's capital comprises share capital as disclosed on Note 18 and the regulatory capital held in subsidiary companies as disclosed below:

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

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

The capital requirement for insurance companies in Kenya was revised in 2007. Existing composite insurance companies were required to increase their capital to Shs 450 million by 2010. The insurance subsidiary, British-American Insurance Company (Kenya) Limited and Real Insurance Company Limited have 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 Companies met the required solvency margins at 31 December 2013 and 2014.

The 2 tables below summarise regulatory capital requirements and the capital maintained by the 2 insurance subsidiaries in Kenya; British-American Insurance Company (Kenya) Limited and Real Insurance Company Limited (Kenya) at 31 December:

British-American Insurance Company (Kenya) Limited

	2014		2013	
	Regulatory requirement Shs'000	Maintained by the Company Shs'000	Regulatory requirement Shs'000	Maintained by the Company Shs'000
Long-term				
Capital at 31 December	150,000	180,000	150,000	180,000
Solvency margin	1,673,095	2,979,738	1,255,003	3,579,211
Short-term				
Capital at 31 December	300,000	700,000	300,000	700,000
Solvency margin	473,827	809,989	372,436	1,311,463
Total				
Capital at 31 December	450,000	880,000	450,000	880,000
Solvency margin	2,146,922	3,789,727	1,627,439	4,980,674

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Real Insurance Company Limited (Kenya)

Real Insurance Company Limited (Kenya)

	2014	
	Regulatory requirement Shs'000	Maintained by the Company Shs'000
Short-term		
Capital at 31 December	300,000	550,000
Solvency margin	258,702	(44,009)

The solvency margin for Real Insurance Company Limited was short of the statutory requirement by Shs 44,009,000. This position will be corrected when the proposed merger between this business and the short-term business of British-American Insurance Company (Kenya) Limited, which has a solvency margin of Shs 809,989,000 takes place. The Group has sought and awaits regulator's approval to merge the 2 businesses. This process will involve demerging the long term and the short term businesses of British-American Insurance Company (Kenya) Limited which operates as a composite business and the transfer of the short term business to combine with Britam General Insurance Company (Kenya) Limited (formally Real Insurance Company Limited) leaving the life business to operate separately in a pure life company.

(iii) British-American Asset Managers Limited

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

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

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

British-American Asset Managers Limited

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Shs'000	Shs'000	Shs'000	Shs '000
Capital at 31 December	10,000	433,049	10,000	340,451
Working capital at 31 December	38,315	52,236	10,327	258,330

(iv) Britam Insurance Company (Uganda) Limited

Britam Insurance Company (Uganda) Limited files the required information with Uganda Insurance Regulatory Authority. Capital adequacy and use of regulatory capital are monitored regularly by management. The capital requirement for insurance companies in Uganda was revised in 2011. Non-life insurance companies were required to increase their capital to Shs 4 billion by September 2014. The company capital as at 31 December 2014 is Shs 14.36 billion.

In addition to the capital requirements, the company 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 counterparty, nature of asset etc. The company has met the required technical solvency margin. The margin of solvency for short term business was Shs 1.2 billion.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Britam Insurance Company (Uganda) Limited

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	UGX '000	UGX'000	UGX'000	UGX '000
Long-term				
Capital at 31 December	1,000,000	2,300,000	1,000,000	2,300,000
Short-term				
Capital at 31 December	3,000,000	12,060,000	1,000,000	9,000,000
Total Capital at 31 December	4,000,000	14,360,000	2,000,000	11,300,000

(v) Britam Insurance Company Limited (South Sudan)

The capital requirement for insurance companies in South Sudan for composite insurance companies is USD 4.5 million which is an equivalent of SSPs 14.22 million. This is meant to be paid within three years in three instalments. The table below summarises regulatory capital requirements and the capital maintained by Britam Insurance Company Limited (South Sudan) at 31 December:

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	SSPS'000	SSPS'000	SSPS'000	SSPS'000
Capital at 31 December	14,220	14,220	9,000	9,186

(vi) Britam Insurance Company (Rwanda) Limited

Capital adequacy and use of regulatory capital are monitored regularly by management. The table below summarises regulatory capital requirements and the capital maintained by Britam Insurance Company (Rwanda) Limited subsidiary, at 31 December:

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Rwfs'000	Rwfs'000	Rwfs'000	Rwfs'000
Capital at 31 December	1,000,000	2,686,896	1,000,000	1,734,396
Solvency	500,000	1,023,231	500,000	1,023,299



NOTES TO THE FINANCIAL STATEMENTS (Continued)

(vii) *Real Insurance Tanzania Limited*

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Capital at 31 December	1,815,000	1,815,000	1,815,000	1,815,000

(viii) *Real Insurance Company of Malawi Limited*

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Mwks'000	Mwks'000	Mwks'000	Mwks'000
Capital at 31 December	100,000	100,000	100,000	100,000

(ix) *Real Comphania de suguros de Mozambique*

	2014		2013	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Mzns'000	Mzns'000	Mzns'000	Mzns'000
Capital at 31 December	18,415	33,932	18,415	33,932

(f) Fair value estimation

IFRS 13 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 2014 and 2013:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Group 2014	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Assets				
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	11,553,812	-	-	11,553,812
- Unquoted ordinary shares	-	-	5,842	5,842
- Government securities	-	2,495,215	-	2,495,215
- Unit trust	-	7,117,166	-	7,117,166
Quoted ordinary shares at fair value through other comprehensive income	9,910,525	-	-	9,910,525
Property and equipment - building (Note 22)	-	617,688	-	617,688
Investment in property funds	-	821,979	-	821,979
Investment property	-	5,604,555	-	5,604,555
Total assets	21,464,337	16,656,603	5,842	38,126,782
Liabilities				
Liabilities under investment contracts				
	-	6,603,982	-	6,603,982
Total liabilities	-	6,603,982	-	6,603,982

Group 2013

Assets				
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	7,632,998	-	-	7,632,998
- Unquoted ordinary shares	-	-	3,770	3,770
- Government securities	-	565,093	-	565,093
- Unit trusts	-	8,066,022	-	8,066,022
Quoted ordinary shares at fair value through other comprehensive income	6,109,614	-	-	6,109,614
Property and equipment – building (Note 22)	-	573,414	-	573,414
Investment property	-	3,782,181	-	3,782,181
Total assets	13,742,612	12,986,710	3,770	26,733,092
Liabilities				
Liabilities under investment contracts				
	-	6,414,370	-	6,414,370
Total liabilities	-	6,414,370	-	6,414,370

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Company 2014	Level 1	Level 2	Total
	Shs'000	Shs'000	Shs'000
Assets			
Financial assets at fair value through profit or loss			
- Quoted ordinary shares	4,121,177	-	4,121,177
Investment in property funds	-	492,243	492,243
Quoted ordinary shares at fair value through other comprehensive income	9,051,585	-	9,051,585
Total assets	13,172,762	492,243	13,665,005

Company 2013

Assets			
Financial assets at fair value through profit or loss			
- Quoted ordinary shares	2,534,524	-	2,534,524
- Unit trusts	-	189,748	189,748
Quoted ordinary shares at fair value through other comprehensive income	3,178,840	-	3,178,840
Total assets	5,713,364	189,748	5,903,112

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

The Group had level 3 financial instruments (unquoted stock) amounting to Shs 5,842,000 as at 31 December 2014 (2013: Shs 3,770,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December.

Group	2014	2013
	Shs '000	Shs '000
At start of year	3,770	54,009
Additions	2,072	251
Reclassification of ordinary shares on initial listing	-	(50,490)
At end of year	5,842	3,770

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 key source of estimation uncertainty is the mortality rates, future interest rates, future expenses, tax and inflation.

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

Group		2014		2013	
		Carrying amounts at amortised	Fair value	Carrying amounts at amortised	Fair value
		Shs '000	Shs '000	Shs '000	Shs '000
Assets					
Government securities	Level 2	8,887,987	8,490,981	8,166,134	7,870,083
Mortgage loans and receivables	Level 2	864,753	864,753	793,815	793,815
Loans and receivables to policyholders	Level 2	488,084	488,084	376,778	376,778
Other receivables	Level 2	943,510	943,510	626,201	626,201
Corporate bonds	Level 2	1,397,713	1,397,713	591,920	591,920
Investments in liquid funds	Level 2	1,196,323	1,196,323	1,161,326	1,161,326
Deposits with financial institutions	Level 1	4,594,079	4,594,079	1,430,092	1,430,092
Cash and bank balances	Level 1	1,050,785	1,050,785	617,196	617,196
Total assets		19,423,234	19,026,228	13,763,462	13,467,411
Liabilities					
Borrowings					
- Britam medium 2014 term note	Level 2	6,000,000	6,000,000	-	-
- Bank loan	Level 2	200,000	200,000	-	-
- Interest payable	Level 2	350,290	350,290	-	-
Other payables	Level 2	1,633,431	1,633,431	958,913	958,913
Total liabilities		8,183,721	8,183,721	958,913	958,913

The fair value of the Group's other financial assets and liabilities other than government securities, mortgage loans and receivables and loans and receivables to policy holders approximate the respective carrying amounts due to the generally short periods to contractual reprising or maturity dates. Refer to Note 4(b) for the collateral amounts for mortgage loans and receivables and loans and receivables to policyholders.

5 Segmental information - Group

The Executive Management Board has determined the operating segments based on the reports they review and that they use to make strategic decisions. All operating segments used by Executive Management Board meet the definition of a reportable segment under IFRS 8.

The Group is organised on a business line basis into five operating segments. These segments distribute their products through various forms of brokers, agencies and direct marketing programmes.

These segments and their respective operations are as follows:

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.

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.

Asset management

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

Property

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The segment information provided to the Executive Management Board for the reportable segments for the year ended 31 December 2014 is as follows:

a) Profit per segment

2014	Long term insurance business	Short term insurance business	Asset management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross revenue	6,478,249	7,567,523	696,056	-	-	14,741,828
Insurance premium ceded to reinsurers	(281,164)	(1,972,446)	-	-	-	(2,253,610)
Net insurance premium revenue	6,197,085	5,595,077	696,056	-	-	12,488,218
Net income from investment property	786,743	-	(15,671)	(43,097)	92,330	820,305
Interest income	1,245,183	367,044	67,724	-	306,077	1,986,028
Dividend income	324,859	35,681	-	-	978,701	1,339,241
Net realised gains on financial assets	154,405	60,090	-	-	-	214,495
Net fair value gains on financial assets at fair value through profit or loss	2,475,237	63,503	(10,836)	-	1,574,261	4,102,165
Commissions earned	128,904	491,313	-	-	-	620,217
Other operating income	33,105	(57,512)	-	-	28,871	4,464
Net income	11,345,521	6,555,196	737,273	(43,097)	2,980,239	21,575,133
Insurance claims and loss adjustment expenses	1,859,649	2,116,149	-	-	-	3,975,798
Insurance claims recovered from reinsurers	(56,834)	1,053,026	-	-	-	996,192
Change in actuarial value of policyholders benefits	3,051,301	-	-	-	-	3,051,301
Net insurance benefits and claims	4,854,116	3,169,175	-	-	-	8,023,291
Interest payments/increase in unit value	2,035,986	-	-	-	-	2,035,986
Acquisition expenses	1,522,694	1,083,219	107,074	-	-	2,712,987
Finance costs	-	-	-	-	350,290	350,290
Expenses	1,731,402	1,927,178	489,078	1,291	582,072	4,731,021
Net expenses	3,254,096	3,010,397	596,152	1,291	932,362	7,794,298
Reportable segment profit	1,201,323	375,624	141,121	(44,388)	2,047,878	3,721,558
Share of profit of associates	259,007	-	-	-	-	259,007
Segment profit before tax	1,460,330	375,624	141,121	(44,388)	2,047,878	3,980,565
Tax expense	(434,245)	(49,476)	(48,524)	17,978	(200,237)	(714,504)
Segment profit after tax	1,026,085	326,148	92,597	(26,410)	1,847,641	3,266,061

The investment in associate was fully allocated to long-term business in 2014.

The reconciliation of the segment profit after tax for all segments to the consolidated income statements is shown in Note 5b.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2013	Long term insurance business	Short term insurance business	Asset management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross revenue	5,030,571	3,816,595	613,511	-	-	9,460,677
Insurance premium ceded to reinsurers	(369,608)	(726,359)	-	-	-	(1,095,967)
Net revenue	4,660,963	3,090,236	613,511	-	-	8,364,710
Net income from investment property	875,336	-	-	-	207,386	1,082,722
Interest income	855,955	215,910	10,511	-	148,285	1,230,661
Dividend income	297,842	21,606	-	-	800,191	1,119,639
Net realised gains on financial assets	263,182	43,990	-	-	124,006	431,178
Net unrealised fair value gains on financial assets at fair value through profit or loss	2,695,871	62,972	5,695	-	591,004	3,355,542
Commissions earned	143,530	226,990	-	-	-	370,520
Other operating income	22,825	24,271	-	-	-	47,096
Net income	9,815,504	3,685,975	629,717	-	1,870,872	16,002,068
Insurance claims and loss adjustment expenses	1,475,955	1,794,355	-	-	-	3,270,310
Insurance claims recovered from reinsurers	(102,780)	(190,479)	-	-	-	(293,259)
Change in actuarial value of policyholders benefits	1,925,007	-	-	-	-	1,925,007
Net insurance benefits and claims	3,298,182	1,603,876	-	-	-	4,902,058
Interest payments/increase in unit value	2,204,587	-	-	-	-	2,204,587
Acquisition expenses	1,245,310	551,346	76,629	-	-	1,873,285
Expenses	1,337,095	1,067,894	309,507	6,988	579,622	3,301,106
Net expenses	2,582,405	1,619,240	386,136	6,988	579,622	5,174,391
Reportable segment profit	1,730,330	462,859	243,581	(6,988)	1,291,250	3,721,032
Share of profit of associates	154,508	19,097	-	8,080	-	181,685
Segment profit before tax	1,884,838	481,956	243,581	1,092	1,291,250	3,902,717
Tax expense	(563,004)	(157,118)	(72,743)	-	(12,510)	(805,375)
Segment profit after tax	1,321,834	324,838	170,838	1,092	1,278,740	3,097,342

The revenue from external parties reported to the Executive Management Board is measured in a manner consistent with that in the income statement. The Executive Management Board assesses the performance of the operating segments based on the profit before tax as detailed above.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Reconciliation of segments profit after tax to the consolidated income statement	2014	2013
	Shs'000	Shs'000
Total profit as per segmental reporting	3,266,061	3,097,342
Income from intra-segmental adjustments		
Intercompany loan interest income	(87,217)	(77,262)
Rental income from related parties	(27,397)	(12,853)
Dividend from subsidiaries	(700,000)	(550,000)
Property and equipment revaluation adjustment (on part of building occupied by related parties)	(10,671)	(10,345)
Dividends from treasury shares	-	(23,100)
Gain on sale of quoted ordinary shares	(57,512)	-
Gains on sale of treasury shares	-	(198,448)
Total adjustments on income	(882,797)	(872,008)
Expenses from intra-segmental adjustments		
Intercompany loan interest expense	87,217	77,261
Rental income to related parties	27,397	12,853
Total adjustments on expenses	114,614	90,114
Profit as per the consolidated income statement	2,497,878	2,315,448

c) Other segment reporting disclosures	Long term insurance business	Short term insurance business	Asset management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2014						
Depreciation and amortisation	123,663	122,632	8,998	-	9,046	264,239
Investments in associates	4,863,345	-	-	299,622	-	5,162,967
Additions to non-current assets	8,183,057	1,498,279	169,545	(223,492)	1,208,177	10,835,566
Total assets	39,661,106	14,119,017	919,087	642,600	17,108,544	72,450,354
Total liabilities	33,448,193	10,285,800	486,038	667,817	6,122,834	51,010,682
2013						
Depreciation and amortisation	76,317	58,022	7,999	-	4,438	146,776
Investments in associates	1,395,238	175,751	-	296,092	-	1,867,081
Additions to non-current assets	4,946,681	1,094,240	12,709	-	354,103	6,407,733
Total assets	31,937,289	7,532,334	469,538	866,092	6,097,325	46,902,578
Total liabilities	26,634,182	4,851,070	129,086	-	535,898	32,150,236

The amounts provided to the Executive Management Board with respect to total assets and total liabilities are measured in a manner consistent with that

NOTES TO THE FINANCIAL STATEMENTS (Continued)

of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

d) Income by geographical segments

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

	2014	2013
	Shs'000	Shs'000
Kenya	13,166,615	9,166,721
Uganda	322,804	179,710
South Sudan	357,752	114,160
Rwanda	80,220	86
Tanzania	394,160	-
Malawi	154,579	-
Mozambique	265,698	-
Total	14,741,828	9,460,677

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

(e) The total of all assets are allocated as follows:

Kenya	68,412,195	45,848,312
Uganda	1,092,832	599,803
South Sudan	550,665	260,749
Rwanda	331,649	193,715
Tanzania	946,850	-
Malawi	439,271	-
Mozambique	676,892	-
Total	72,450,354	46,902,579

(f) 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:

Kenya	4,347,471	4,971,060
Uganda	110,640	29,088
South Sudan	30,415	30,301
Rwanda	50,964	49,643
Tanzania	74,908	-
Malawi	61,880	-
Mozambique	16,326	-
Total	4,692,604	5,080,092

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Gross revenue – Premium income and fund management fees

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

Group	2014			2013		
	Gross Revenue	Reinsurance ceded	Net Revenue	Gross Revenue	Reinsurance ceded	Net Revenue
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Insurance business - premium						
Long term insurance business						
- Ordinary life	1,338,019	(67,019)	1,271,000	975,706	(49,295)	926,411
- Ordinary life renewal recurring	3,398,663	-	3,398,663	2,653,986	-	2,653,986
- Group life	1,741,567	(214,144)	1,527,423	1,400,878	(320,313)	1,080,565
Total long term business	6,478,249	(281,163)	6,197,086	5,030,570	(369,608)	4,660,962
Short term insurance business						
- Engineering	502,709	(425,794)	76,915	126,560	(102,448)	24,112
- Fire	724,249	(473,518)	250,731	258,777	(177,812)	80,965
- Marine	238,106	(179,274)	58,832	182,710	(150,097)	32,613
- Motor	2,791,563	(202,831)	2,588,732	1,385,938	(43,322)	1,342,616
- Personal accident and medical	2,333,693	(535,810)	1,797,883	1,352,921	(206,892)	1,146,029
- Micro insurance	307,087	(31,873)	275,214	182,125	-	182,125
- Theft	193,544	(2,869)	190,675	126,691	(362)	126,329
- Liability	26,935	(17,683)	9,252	23,893	(15,677)	8,216
- Workmen's compensation	188,815	(282)	188,533	121,610	(13,284)	108,326
- Other	260,822	(102,513)	158,309	55,371	(16,465)	38,906
Total short term business	7,567,523	(1,972,447)	5,595,076	3,816,596	(726,359)	3,090,237
Total insurance revenue	14,045,772	(2,253,610)	11,792,162	8,847,166	(1,095,967)	7,751,199
Asset management business – Fund management fees						
- Unit trusts	246,355	-	246,355	339,031	-	339,031
- Discretionary & wealth management	168,747	-	168,747	84,354	-	84,354
- Alternative investments	271,456	-	271,456	187,571	-	187,571
- Other	9,498	-	9,498	2,555	-	2,555
Total fund management business	696,056	-	696,056	613,511	-	613,511
Gross revenue	14,741,828	(2,253,610)	12,488,218	9,460,677	(1,095,967)	8,364,710

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Net income from investment property

	Group	
	2014 Shs'000	2013 Shs'000
Gross rental income	58,912	72,925
Less: investment property operating expenses	(8,271)	(9,494)
Net rental income	50,641	63,431
Fair value gain on investment properties (Note 28 (i))	801,734	996,093
Revaluation of property funds (Note 28(ii))	(70,138)	-
Total investment income	782,237	1,059,524

8 Interest and dividend income

Interest from government securities at fair value through profit or loss	183,237	60,099
Interest from government securities at amortised cost	817,985	694,411
Interest from corporate bonds at amortised cost	95,129	62,256
Interest from investments in liquid funds	66,492	116,297
Interest from deposits with financial institutions	584,317	87,658
Loan interest receivable	159,609	132,682
Dividends from quoted ordinary shares at fair value through profit or loss	270,697	289,465
Dividends from quoted ordinary shares at fair value through other comprehensive income	360,585	257,071
Total interest and dividend income	2,538,051	1,699,939

9 Net realised gains on financial assets

Realised gains/(loss) on government securities at fair value through profit or loss	19	(1,181)
Realised gain on quoted ordinary shares at fair value through profit or loss	26,297	193,768
Realised gains on unit trusts	130,667	40,140
Total net realised gains	156,983	232,727

10 Net unrealised fair value gains on financial assets at fair value through profit or loss

Fair value gain on quoted ordinary shares at fair value through profit or loss (Note 29(ii))	3,327,340	1,744,380
Fair value gains on unit trusts (Note 31)	758,022	1,603,927
Fair value gain on government securities at fair value through profit or loss (Note 33(i))	16,803	7,235
Total net unrealised fair value gains	4,102,165	3,355,542

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Commissions earned

	Group	
	2014 Shs'000	2013 Shs'000
Long term insurance business	126,659	143,530
Short term insurance business	493,558	226,990
Total commissions earned	620,217	370,520

12 Other income

Fee income		
- arising on long term insurance contracts	4,894	20,155
- arising on deposit administration	24,352	22,953
Short-term facultative payables adjustments	(31,161)	-
Gain on disposal of property and equipment	6,379	3,988
Total other income	4,464	47,096

13 Insurance claims and loss adjustment expenses

	2014			Restated 2013		
	Long-term business	Short-term business	Total	Long-term business	Short-term business	Total
	Shs'000	Shs'000		Shs'000	Shs'000	
Insurance contracts with fixed and guaranteed terms						
- death, maturity and surrender benefits	1,181,819	-	1,181,819	884,019	-	884,019
- bonuses	677,859	-	677,859	586,733	-	586,733
Claims payable by principal class of business:						
- Engineering	-	112,893	112,893	-	20,260	20,260
- Fire	-	299,009	299,009	-	12,496	12,496
- Marine	-	(1,661,269)	(1,661,269)	-	51,185	51,185
- Motor	-	1,637,623	1,637,623	-	762,991	762,991
- Personal accident and medical	-	1,272,167	1,272,167	-	698,768	698,768
- Micro Insurance	-	319,190	319,190	-	12,496	12,496
- Theft	-	90,149	90,149	-	56,849	56,849
- Liability	-	(18,653)	(18,653)	-	(21,524)	(21,524)
- Workmen's Compensation	-	41,079	41,079	-	43,601	43,601
- Other	-	23,932	23,932	-	162,436	162,436
Total Insurance claims and loss adjustment expenses	1,859,678	2,116,120	3,975,798	1,470,752	1,799,558	3,270,310
Increase in actuarial value of policy holders' liabilities	3,051,301	-	3,051,301	1,925,007	-	1,925,007
Less: reinsurers' share	(55,231)	1,051,423	996,192	(102,780)	(190,479)	(293,259)
Total long term and short term	4,855,748	3,167,544	8,023,291	3,292,979	1,609,079	4,902,058

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Interest payments/increase in unit value

These are accumulated amounts which belong to unit linked policyholders. They are investment linked contracts since they are calculated based on the performance of the underlying investment contracts. They are not Insurance contracts since the insurer is not obliged to pay any other amount apart from the value of the underlying investments.”

	Group	
	2014 Shs'000	2013 Shs'000
Long term business		
Interest on deposit administration contract (Note 49)	1,427,773	1,029,210
Fair value gains on investment contracts (Note 50)	608,213	1,175,377
Total interest payments	2,035,986	2,204,587

15 (i) Operating and other expenses (by nature)

Staff costs (Note 15)	1,537,910	1,206,410
Auditor's remuneration	33,328	16,664
Depreciation on property and equipment (Note 22)	208,633	122,082
Amortisation of intangible assets (Note 23)	55,607	24,695
Britam 2014 medium term note issue expenses	80,904	-
Information technology (IT) costs	262,042	30,266
Repairs and maintenance expenditure	30,707	7,137
General office management expenses	961,472	694,365
Training and development	132,500	106,000
Premium tax, levies and duty	147,024	112,768
Sales, marketing and brand management	837,624	713,656
Business acquisition & combination costs	123,814	43,800
Office rent and service charge	204,841	133,147
Total operating and other expenses	4,616,406	3,210,990

15 (ii) Staff costs

Staff costs include the following:

Salaries and wages	1,295,756	1,006,802
Retirement benefits costs		
- defined contribution scheme	203,283	183,788
- defined benefit scheme (Note 53)	4,333	6,925
- Social security benefits costs	34,538	8,895
Total staff costs	1,537,910	1,206,410

The number of persons employed by the Group at the year-end was 825 (2013: 497).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Borrowings

The total borrowings include a bank loan of Shs 200,000,000 at a fixed interest rate of 14.5% per annum and a 5 year medium term note at fixed rate interest of 13% per annum. The bank loan is a secured short-term loan in nature and as such causes minimal exposure to interest rate changes. The loan is part of the Group's short term draw-down facility with a bank which has been secured with quoted ordinary shares valued at Shs 4,649,892,000 at 31 December, 2014.

The Company issued a 5 year medium term note in August 2014. The total value of the bond issued is Shs 6,000,000,000. The effective interest rate is 13% annually. The Notes were issued in denominations of Kenya Shillings one hundred thousand. The Notes are listed on the Fixed Income Securities Market Segment (FISMS) on the Nairobi Stock Exchange. The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank pari passu in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application. The total expenditure on issuing the bond was Shs 80,904,000 (Note 15(i)).

The borrowings are carried at amortised cost and their fair value is equal to their carrying amounts. Here below is a table showing the amount of interest payable for each of the borrowings;

	Group and Company	
	2014	2013
	Shs'000	Shs'000
Interest expense		
- Bank Loan	4,290	-
- 5 year corporate bond	346,000	-
Total finance costs	350,290	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Commissions expense

	Group	
	2014 Shs'000	2013 Shs'000
Long term insurance business		
- Ordinary life	1,334,312	1,117,512
- Group life	143,087	116,022
- Deposit administration	45,306	11,777
Total long term insurance business	1,522,705	1,245,311
Short term insurance business		
- Engineering	78,023	49,713
- Fire	154,516	63,206
- Marine	34,437	27,528
- Motor	310,613	175,790
- Personal accident and medical	300,987	138,399
- Micro insurance	62,248	37,980
- Theft	67,495	27,516
- Other	74,889	31,214
Total short term insurance business	1,083,208	551,346
Asset management business		
- Unit trusts	18,078	35,013
- Discretionary & wealth management	24,631	15,689
- Alternative investments	64,365	25,926
Total asset management business	107,074	76,628
Total commissions expense	2,712,987	1,873,285

18 Share capital

Group and Company	Number of shares	Ordinary shares	Share premium	Total
	Thousands	Shs'000	Shs'000	Shs'000
Balance at 1 January 2013 and 31 December 2013	1,891,452	189,145	3,164,455	3,353,600
Issue of shares	46,964	4,696	1,098,957	1,103,653
Balance at 31 December 2014	1,938,416	193,841	4,263,412	4,457,253

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Ordinary shares

The total number of authorised shares is 2,150 million with par value of 10 cents per share (2013: 2,150 million with par value of Shs 10 cents). The number of shares issued is 1,938 million with par value of Shs 10 cents per share (2013: 1,891 million with par value of Shs 10 cents per share). A total of 46,964,000 shares were issued during the year. The amount was part consideration of the Real Insurance Company Limited purchase (Note 26(i)). All shares issued are fully paid and carry equal voting rights.

Treasury shares

At 31 December 2014, the Group held nil (31 December 2013: nil) of its own ordinary shares. In 2013, a total amount paid to acquire shares totalling Shs 829,752,000 net of income tax was deducted from other reserves, the sale realised Shs 752,861,000 with other reserves reinstated to the same extent.

19 Other reserves

Other reserves include;

- **Fair value reserves;** arising from revaluation of financial assets carried at fair value through other comprehensive income. They are not distributable reserves.
- **Currency translation reserves;** arise from currency translation for the different countries in which the Group operates in. They are not distributable reserves.
- **Revaluation reserves;** arises on revaluation of the building that is part of the Group's property and equipment. This reserve is not distributable.
- **General reserves;** are undistributed retained earnings for the long term business. The 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 retained earnings is recorded each year to ensure that only amounts available for distribution to shareholders are held in the retained earnings.

Group 2014	Fair value reserve	Revaluation reserve	Foreign currency Translation	General	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Balance at 1 January 2014 as previously stated	7,049,242	277,013	(21,802)	3,019,552	10,324,005
Prior year adjustments (Note 57)	-	-	-	(1,844,114)	(1,844,114)
Balance at 1 January 2014 as restated	7,049,242	277,013	(21,802)	1,175,438	8,479,891
Revaluation gain on building, net of tax	-	22,478	-	-	22,478
Revaluation gains on quoted ordinary shares at fair value through other comprehensive income, net of tax (Note 29(i))	3,627,865	-	-	-	3,627,865
Unrealised gains transfer on reclassification of assets held at fair value through other comprehensive income to assets held at fair value through profit or loss (Note 20)	(147,469)	-	-	-	(147,469)
Share of associate share of other comprehensive income, net of tax	-	-	-	26,568	26,568
Transfer from retained earnings (Note 20)	-	-	-	1,035,409	1,035,409
Re-measurement of the net defined benefit asset, net of tax	-	-	-	8,090	8,090
Currency translation losses	-	-	(169,566)	-	(169,566)
Balance at 31 December 2014	10,529,638	299,491	(191,368)	2,245,505	12,883,266



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Unrealised gains transfer on reclassification of assets held at fair value through other comprehensive income to assets held at fair value through profit or loss; assets were reclassified due to a sale of quoted ordinary shares held at other comprehensive income by one subsidiary to another, where they were classified as assets through profit or loss at initial recognition. At the Group level, the unrealised gains on the assets have subsequently been moved from general reserves to retained earnings.

Group 2013	Fair value reserve	Revaluation reserve	Foreign currency Translation	Treasury shares	General	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Balance at 1 January 2013 as previously stated	4,967,592	250,314	(18,848)	(829,752)	1,376,213	5,745,519
Prior year adjustments (Note 57)	-	-	-	-	(1,628,416)	(1,628,416)
Balance at 1 January 2014 as restated	4,967,592	250,314	(18,848)	(829,752)	(252,203)	4,117,103
Transfer of reserves on adoption of IFRS 9	568,850	-	-	-	-	568,850
Revaluation gains on building, net of tax	-	21,793	-	-	-	21,793
Revaluation gains on quoted ordinary shares at fair value through other comprehensive income, net of tax (Note 29(i))	1,306,288	-	-	-	-	1,306,288
Transfer from retained earnings (Note 20)	-	-	-	-	1,305,965	1,305,965
Capitalisation of reserves in a subsidiary (Note 20)	-	-	-	-	400,000	400,000
Treasury shares (Note 18)	-	-	-	829,752	(76,892)	752,860
Remeasurement of the net defined benefit asset, net of tax	-	-	-	-	9,986	9,986
Currency translation losses	-	-	(2,954)	-	-	(2,954)
Balance at 31 December 2013	6,842,730	272,107	(21,802)	-	1,386,856	8,479,891

Company

Other reserves are comprised of fair value reserves arising from revaluation of assets carried at fair value through other comprehensive income. The movement is shown on page 59.

20 Retained earnings

	Group Restated Shs '000	Company Restated Shs '000
At 1 January 2013	2,900,342	2,817,317
Profit for the year	2,315,448	1,278,740
Dividends paid relating to 2012	(449,763)	(472,863)
Transfer of reserves on adoption of IFRS 9	(614,074)	(956,175)
Transfer to other reserves (Note 19)	(1,305,965)	-
Capitalisation of subsidiary (Note 19)	(400,000)	-
At 31 December 2013	2,445,988	2,667,019
At 1 January 2014	2,445,988	2,667,019
Profit for the year	2,501,489	1,847,641
Unrealised gains transfer on reclassification of assets held at fair value through other comprehensive income to assets held at fair value through profit or loss (Note 19)	147,469	-
Dividends paid relating to 2014 (Note 21)	(581,525)	(581,525)
Transfer to other reserves (Note 19)	(1,035,409)	-
At 31 December 2014	3,478,012	3,933,135

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 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 26 June 2015, a final dividend in respect of the year ended 31 December 2014 of Shs 0.30 per share (2013: Shs 0.25) amounting to a total of Shs 581,525,000 is to be proposed (2013: Shs 472,863,000).

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

22 Property and equipment

Group	Buildings	Leasehold improvements	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2014						
Cost or valuation						
At start of year	573,414	306,933	62,825	588,691	172,874	1,704,737
Additions	16,736	35,495	60,067	271,670	126,361	510,329
Disposals	-	-	(9,391)	(315)	(216)	(9,922)
Valuation surplus	27,538	-	-	-	-	27,538
At end of year	617,688	342,428	113,501	860,046	299,019	2,232,682
Depreciation						
At start of year	-	166,195	22,519	246,973	105,770	541,457
Charge for the year	-	19,199	21,737	136,664	31,033	208,633
Additions	-	308	20,078	65,348	76,240	161,974
Disposal	-	-	(7,863)	(241)	(144)	(8,248)
At end of year	-	185,702	56,471	448,744	212,899	903,816
Net book amount						
At 1 January 2014	573,414	140,738	40,306	341,718	67,104	1,163,280
At 31 December 2014	617,688	156,726	57,030	411,302	86,120	1,328,866
Year ended 31 December 2013						
Cost or valuation						
At start of year	546,715	241,428	35,103	412,401	134,810	1,370,457
Additions	-	65,505	27,722	178,147	39,317	310,691
Disposals	-	-	-	(1,857)	(1,253)	(3,110)
Valuation surplus	26,699	-	-	-	-	26,699
At end of year	573,414	306,933	62,825	589,691	172,874	1,704,737
Depreciation						
At start of year	-	151,524	16,990	168,704	85,003	422,221
Charge for the year	-	14,671	5,529	79,911	21,971	122,082
Additions	-	-	-	62	-	62
Disposal	-	-	-	(1,704)	(1,204)	(2,908)
At end of year	-	166,195	22,519	246,973	105,770	541,457
Net book amount						
At 1 January 2013	546,715	89,904	18,113	243,697	49,807	948,236
At 31 December 2013	573,414	140,738	40,306	341,718	67,104	1,163,280

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Company	Leasehold improvements	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2014					
Cost or valuation					
At start of year	11,641	25,790	5,341	4,279	47,051
Additions	1,084	4,758	746	1,009	7,597
At end of year	12,725	30,548	6,087	5,288	54,648
Depreciation					
At start of year	1,369	5,770	1,642	1,068	9,849
Charge for the year	1,266	5,084	1,130	911	8,391
At end of year	2,635	10,854	2,772	1,979	18,240
Net book amount					
At 1 January 2014	10,272	20,020	3,700	3,210	37,202
At 31 December 2014	10,090	19,694	3,315	3,309	36,408
Year ended 31 December 2013					
Cost or valuation					
At start of year	5,707	5,179	2,769	1,372	15,027
Additions	5,934	20,611	2,572	2,907	32,024
At end of year	11,641	25,790	5,341	4,279	47,051
Depreciation					
At start of year	374	4,316	813	483	5,986
Charge for the year	996	1,454	829	584	3,863
At end of year	1,370	5,770	1,642	1,067	9,849
Net book amount					
At 1 January 2013	5,333	863	1,956	889	9,041
At 31 December 2013	10,271	20,020	3,699	3,212	37,202

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 2014 per valuation report. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'other reserves' in shareholders' equity (Note 19).

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level3).

The fair values arising from the open market valuation of buildings are categorised as level 2 in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2014	2013
	Shs'000	Shs'000
Cost	392,095	392,095
Accumulated depreciation	(284,194)	(271,838)
Net book value	107,901	120,257

All property and equipment is classified as non-current assets.

23 Intangible assets

	Group			Company		
	Current computer and software costs	Internally generated software development costs	Total	Current computer and software costs	Internally generated software development costs	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost						
At 1 January 2013	287,087	-	287,087	3,840	-	3,840
Additions	45,507	-	45,507	744	-	744
At 31 December 2013	332,594	-	332,594	4,584	-	4,584
At 1 January 2014	332,594	-	332,594	4,584	-	4,584
Additions	117,138	1,090,133	1,207,271	-	47,283	47,283
At 31 December 2014	449,732	1,090,133	1,539,865	4,584	47,283	51,867
Accumulated amortisation and impairment						
At 1 January 2013	(173,270)	-	(173,270)	(484)	-	(484)
Amortisation charge	(24,695)	-	(24,695)	(575)	-	(575)
At 31 December 2013	(197,965)	-	(197,965)	(1,059)	-	(1,059)
Amortisation charge	(55,607)	-	(55,607)	(655)	-	(655)
At 31 December 2014	(253,572)	-	(253,572)	(1,714)	-	(1,714)
Net Book Value						
Cost	332,594	-	332,594	4,584	-	4,584
Accumulated amortisation	(197,965)	-	(197,965)	(1,059)	-	(1,059)
At 31 December 2013	134,629	-	134,629	3,525	-	3,525
Cost	449,732	1,090,133	1,539,865	4,584	47,283	51,867
Accumulated amortisation	(253,572)	-	(253,572)	(1,714)	-	(1,714)
At 31 December 2014	196,160	1,090,133	1,286,293	2,870	47,283	50,153

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Internally generated software development costs: Since 2013, the Group has been undergoing through implementing of information technology (IT) transformation project. The project will enable the Group to do a complete transformation from the current information technology systems that it is using currently in all its different lines of businesses. The new systems being implemented will enable the Group to be more efficient. In the meantime, the current software continues serving the business as always and will only be written off when the implementation of new systems which is well phased into the next 4 - 5 years is complete. The remaining useful lives of the existing systems are between 1-7 years.

Some of the key benefits expected to be realised from the implementation of the project include:

- Differentiated customer experience;
- Increased efficiency and lower expense ratio;
- Improved management reporting and decision making;
- Product innovation and
- Differentiated intermediary and Financial Advisors experience.

The IT-enabled business transformation program is expected to run for a period of three years. The research phase of the project started in 2013 and ended in the first quarter of 2014. During this phase, suppliers were sourced, demonstrations were done and the systems that met the Group's needs were chosen for implementation. All the project related costs in this phase were included in the Group's operating expenses.

The second phase of the project, the development phase started in July 2014. The development of the various systems started, the vendors came on site and the Group's line of business and IT members of staff have been seconded to the project on a full time basis and are based at the dedicated project office. Development costs that are directly attributable to the design and testing of the identified software are being recognised as intangible assets as per IAS 38 – Intangible assets.

All intangible assets are classified as non-current assets.

24 Investment in associate – Group

Set out below are the associates of the Group as at 31 December 2014, which are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates at 31 December 2014 and 2013:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the Relationship	
Housing Finance Limited	Kenya	46.04%	Note 1	Equity
Acorn Group Limited	Kenya	25%	Note 2	Equity

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

			2014	2013
	Housing Finance	Acorn Group	Total	Total
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	1,570,989	296,092	1,867,081	1,459,826
Share of associate's profit for the year	259,007	-	259,007	181,685
Share of associate's other comprehensive income	37,954	-	37,954	-
Dividends received in the year	(84,547)	-	(84,547)	(62,442)
New shares acquired on 31 December 2014	2,780,320	-	2,780,320	288,012
Additional acquisition costs	-	3,530	3,530	-
As at 31 December	4,563,723	299,622	4,863,345	1,867,081
Made up of:				-
Carrying amount of existing equity interest	1,783,403	296,092	2,079,495	-
Fair value of new equity interest acquired	2,780,320	-	2,780,320	-
Additional acquisition costs	-	3,530	3,530	-
At end of year	4,563,723	299,622	4,863,345	1,867,081
Share of profit	259,007	-	259,007	181,685
Share of other comprehensive income	37,954	-	37,954	-
Total share of results	296,961	-	296,961	181,685

As on 31 December 2014, British-American Insurance Company (Kenya) Limited acquired 24.73% of the shares and voting interests in Housing Finance Corporation of Kenya. As a result the Group's interest in Housing Finance increased from 21.4% to 46.04%. Investment in associates at 31 December 2014 include goodwill of Shs 1,502,874,000 (2013: Shs 376,280,000). The movement in the carrying amount of the investment during the year is presented above.

As at 31 December 2014, the fair value of the Group's interest in HF, which is listed on the Nairobi Securities Exchange, was Shs 4,877,798,000 (2013: 1,554,479,000) and the carrying amount of the Group's interest was Shs 4,563,723,000 (2013: 1,570,989,000).

The investment is in line with Group's strategic plan, in which the Group expects to leverage on existing and potential synergies to drive joint business initiatives while earning returns as a portfolio investment. Management in consideration of the investment structure in Housing Finance established that it does not have effective control and cannot exercise power over Housing Finance. As such, HF has been accounted as an associate.

Acquisition related costs

The Group incurred acquisition - related costs of Shs 13,658,000 on professional fees. These costs have been included in investment expenses.

Identifiable assets acquired and liabilities assumed

In Management's consideration, a key assumption for this computation has been that the assets and liabilities in the HF financial statements are carried at fair value considering the nature of business the company does. The following items on HF's statement of financial position have been adjusted to arrive at the fair value on acquisition;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014
	Shs'000
Net assets per HF accounts	6,508,132
Adjust for fair value on:	
Carrying value of prepaid operating lease rental	(46,038)
Add: fair value of leasehold land	225,000
Fair value adjustments	178,962
Total	6,687,094

Goodwill

Management considers Housing Finance's 31 December 2014 financial statements in establishing the fair value of acquired assets and liabilities as of the acquisition date. Goodwill has been computed based on IAS 28. The standard requires that the post-acquisition share of the associate's profit or loss is appropriately adjusted, so that it is based on fair values at the date of acquisition. In the case of an increase in stake in an existing associate, the adjustment is based on the fair values of each tranche.

	2014
	Shs'000
Net Asset Value at fair value	6,687,094
Fair value of consideration paid	2,780,320
Fair value of acquired net assets (24.73%)	(1,653,726)
Goodwill on acquired tranche	1,126,594
Goodwill on initial tranche (21.31%)	376,280
Total Goodwill on HF (46.04%)	1,502,874

The goodwill arose from acquisition of an additional stake in Housing Finance in 2014 and is therefore all allocated to the Kenyan Insurance Cash Generating Units (CGUs) for the purposes of impairment assessment.

Acorn Group Limited is a private company and there is no quoted market price available for its shares, as at 31 December 2014, the carrying amount of the Group's interest was Shs 299,622,000 (2013: Shs 296,092,000). The Group has not recognised a share of profit of Acorn Group Limited as an associate in 2014 (2013: Shs 8,080,000). The directors have assessed the impact of Shs 9,001,000 arising from the Group's share in the associates result to be insignificant to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summarised financial information for associates

Summarised statement of financial position as at 31 December

	Housing Finance		Acorn Group		Total	
	2014	2013	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Current						
Cash and cash equivalents	11,625,472	8,597,555	-	165,678	11,625,472	8,763,233
Other current assets (excluding cash)	1,031,322	789,770	-	276,596	1,031,322	1,066,366
Total current assets	12,656,794	9,387,325	-	442,274	12,656,794	9,829,599
Financial liabilities (excluding trade payables)	(42,889,539)	(26,588,851)	-	(210,060)	(42,889,539)	(26,798,911)
Other current liabilities (including trade payables)	(46,307)	(468,033)	-	(100,379)	(46,307)	(568,412)
Total current liabilities	(42,935,846)	(27,056,884)	-	(310,439)	(42,935,846)	(27,367,323)
Non-current						
Assets	48,254,136	37,367,786	-	488,993	48,254,136	37,856,779
Financial liabilities	(10,359,502)	(14,016,374)	-	(16,661)	(10,359,502)	(14,033,035)
Other liabilities	(1,107,450)	-	-	(1,075)	(1,107,450)	(1,075)
Total non-current liabilities	(11,466,952)	(14,016,374)	-	(17,736)	(11,466,952)	(14,034,110)
Net assets	6,508,132	5,681,853	-	603,092	6,508,132	6,284,945

Summarised statement of comprehensive income

	Housing Finance	Acorn Group	Total	Housing Finance	Acorn Group	Total
	For year ended 2014			For year ended 2013		
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue	2,480,732	-	2,480,732	5,068,815	432,379	5,501,194
Depreciation and amortisation	-	-	-	(63,463)	8,460	(55,003)
Interest income	3,031,951	-	3,031,951	272,390	-	272,390
Interest expense	(3,342,831)	-	(3,342,831)	(3,118,858)	(44,224)	(3,163,082)
Profit or loss from continuing operations	1,431,657	-	1,431,657	902,001	282,920	1,184,921
Income tax expense	(429,497)	-	(429,497)	(270,600)	(27,276)	(297,876)
Post-tax profit from continuing operations	975,336	-	975,336	631,400	255,644	887,044
Other comprehensive income, net of tax	123,477	-	123,477	(2,503)	-	(2,503)
Total comprehensive income	1,098,813	-	1,098,813	628,897	255,644	884,541
Dividends received from associate	84,547	-	84,547	67,627	-	67,627

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of summarised financial information

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

	Housing Finance	Acorn Group	Total	Housing Finance	Acorn Group	Total
	2014	2014	2014	2013	2013	2013
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Opening net assets 1 January	5,681,853	-	5,681,853	5,145,818	164,269	5,310,087
Profit for the year	975,336	-	975,336	808,969	255,643	1,064,612
Other comprehensive income	123,447	-	123,447	57,013	-	57,013
Transactions with owners recorded directly in equity	(272,504)	-	(272,504)	(329,947)	183,180	(146,767)
Closing net assets	6,508,132	-	6,508,132	5,681,853	603,092	6,284,945
Interest in associates (46.04%; 25%)	3,060,849	-	3,060,849	1,194,709	150,773	1,345,482
Goodwill	1,502,874	-	1,502,874	376,280	145,319	521,599
Carrying value	4,563,723	-	4,563,723	1,570,989	296,092	1,867,081

Summarised statement of cash flows for Housing Finance

	Group	
	2014	2013
	Shs'000	Shs'000
Net cash flows from operating activities	3,265,259	1,741,341
Net cash flows from Investing activities	(98,194)	(796,321)
Net cash flows from financing activities	(400,480)	(306,352)
Net cash flows	2,766,585	638,668

25 Income tax expense

	Group	
	2014	2013
	Shs'000	Shs'000
Current income tax	576,110	543,429
Deferred tax (Note 39)	138,394	261,946
Income tax expense	714,504	805,375

The Group's current tax charge is computed in accordance with income tax rules applicable to the subsidiaries. Deferred tax has been recognised on life business surplus. This has necessitated restatement of 2013 numbers. 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014	Restated 2013
	Shs'000	Shs'000
Profit before tax	3,212,382	3,120,823
Tax calculated at a tax rate of 30% (2013: 30%)	963,715	936,247
Add / (less):		
- tax effect of income not subject to tax	(331,398)	(209,852)
- under/ (over) provision	7,694	(1,156)
- tax effect of expenses not deductible for tax purposes	74,493	80,136
Income tax expense	714,504	805,375

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

	2014			2013		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Currency translation losses	(169,566)	-	(169,566)	(2,954)	-	(2,954)
Re-measurement of the net defined benefit asset	11,558	(3,468)	8,090	14,266	(4,280)	9,986
Share of other comprehensive income from associates accounted for using the equity method	37,954	(11,386)	26,568	-	-	-
Fair value gains:						
- Building	27,538	(5,060)	22,478	26,699	(4,906)	21,793
- Financial assets at fair value through other comprehensive income	4,169,108	(541,243)	3,627,865	1,512,800	(206,512)	1,306,288
Other comprehensive income	4,076,592	(561,157)	3,515,435	1,550,811	(215,698)	1,335,113

26 (i) Goodwill on business combination

On 31 July 2014, the Group acquired 99% of the share capital of Real Insurance Company Limited Group for Shs 1,942,511,000. Real Insurance Company Limited owned 98% of Real Comphania de suguros de Mozambique, 55% Real Insurance Tanzania Limited and 65% of Real Insurance Company of Malawi. As a result of the acquisition of the Real business and its subsidiaries, the Britam Group is expected to increase its presence in the eastern and southern Africa markets; that is in Tanzania, Malawi and Mozambique. This acquisition will also increase the distribution of its general business products in Kenya, while at the same time bringing in expertise in this area.

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

The following table summarises the consideration paid to Royal Ngao group (held 99% of the Real insurance company limited group share capital), the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014 Shs'000
Consideration at 31 July 2014	
Cash	825,100
Stamp duty on the transaction	13,757
Equity instruments (46.9 million ordinary shares)	1,103,654
Total consideration	1,942,511
Recognised amounts of identifiable net assets at fair value	
Property and equipment	116,778
Intangible assets	716
Investment in subsidiary companies	334,879
Financial assets at fair value through profit or loss:	
- quoted ordinary shares	83,268
Corporate bonds at amortised cost	38,688
Government securities at amortised cost	303,739
Receivables arising out of reinsurance arrangements	201,811
Receivables arising out of direct insurance arrangements	1,698,838
Reinsurers' share of insurance liabilities	1,036,517
Deferred acquisition costs	170,719
Deferred income tax	71,115
Current income tax	68,047
Other receivables	105,823
Dues from related parties	623,354
Deposits with financial institutions	832,499
Cash and bank balances	253,193
Insurance contract liabilities	(4,490,729)
Creditors arising from reinsurance arrangements	(577,752)
Creditors arising from direct insurance arrangements	(31,354)
Deferred income tax	(7,574)
Dues to related parties	(8,287)
Other payables	(386,812)
Total identifiable net assets	437,476
Non-controlling interest	(43,227)
Goodwill	1,548,262
Total consideration	1,942,511

Acquisition-related costs of Shs 123,814,000 (2013: Shs 43,800,000) (Note 15) have been charged to operating costs in the consolidated income statement for the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The fair value of the 46.9 million ordinary shares issued as part of the consideration was based on the quoted share price on 31 July 2014.

The goodwill recognised by the Group will be realised through the synergies expected from the business combination. The synergies will result from economies of scale as follows;

- A larger book of business resulting in a more stable claims experience;
- A lower cost of reinsurance and efficient reinsurance strategy due to increased capacity arising from a larger balance sheet and increased diversification of risks;
- An improved combined investment management capability;
- A larger and more efficient combined distribution network;
- Increased efficiency and effectiveness in the cost of processing.

These synergies are particularly invaluable with the expected increased competition in the general insurance business in Kenya, with increased capital investment by existing players and with established life insurers also seeking to enter the general insurance market via acquisitions.

There were no additional intangible assets that qualify for separate recognition.

Refer to note 26(iii) for the amount of the non-controlling interest in the acquiree recognised at the acquisition date. Fair value of the net assets was the measurement basis used to determine the non controlling interests.

The amounts of revenue and profit or loss of the Real Insurance Company Limited Group since the acquisition date included in the consolidated statement of comprehensive income for the reporting period is as follows;

Summarised statement of comprehensive income as at 31 December

	Real Insurance Company Limited	Real Insurance Tanzania Limited	Real Insurance Company of Malawi Limited	Real Comphania de suguros de Mozambique	Total Real Insurance Company Limited Group
	2014	2014	2014	2014	2014
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue	1,528,061	394,160	154,579	265,698	2,342,498
Profit before income tax	59,531	(18,225)	8,685	62,145	112,136
Income tax expense/credit	(22,860)	2,981	(5,907)	4,170	21,616
Post- tax profit or loss from continuing operations	36,671	(15,244)	2,778	66,314	90,519
Total comprehensive income	36,671	(15,244)	2,778	66,314	90,519

The amount of goodwill at the end of the year is the same amount as at initial recognition. Impairment tests on the goodwill will be performed within the measurement period as defined by IFRS 3, Business combinations.

26 (ii) Investment in subsidiary companies

Real Insurance Company Limited partially owned 3 subsidiaries; Real Insurance Tanzania Limited owned 55%, Real Insurance Company of Malawi Limited owned 65% and Real Comphania de suguros de Mozambique owned 98%. The Britam Group has since restructured the ownership of Real Comphania de suguros de Mozambique and is now 97% owned by British-American Investments Company (Kenya) Limited (the Company) while the ownership of Real Insurance Tanzania Limited and Real Insurance Company of Malawi Limited is still held by Real Insurance Company Limited.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Group had the following subsidiaries as at 31 December 2014:	Country of incorporation and place of business	Nature of Business	Proportion of ordinary shares directly held by parent	Proportion of ordinary shares held by the Group	Proportion of shares held by non-controlling interests
			%	%	%
British-American Insurance Company (Kenya) Limited	Kenya	Insurance	100	100	-
British-American Asset Managers Limited	Kenya	Fund management	100	100	-
Bramer Properties Limited	Kenya	Property	100	100	-
Real Insurance Company Limited	Kenya	Insurance	99	99	1.00
Britam Insurance Company (Uganda) Limited	Uganda	Insurance	100	100	-
Britam Insurance Company Limited (South Sudan)	South Sudan	Insurance	100	100	-
Britam Insurance Company (Rwanda) Limited	Rwanda	Insurance	100	100	-
Real Comphania de suguros de Mozambique	Mozambique	Insurance	97.02	97.02	2.98
Real Insurance Tanzania Limited	Tanzania	Insurance	-	54.45	45.55
Real Insurance Company of Malawi Limited	Malawi	Insurance	-	64.35	35.65

The Company had the following subsidiaries at 31 December:	% holding	2014	2013
	in equity	Shs'000	Shs'000
British-American Insurance Company (Kenya) Limited	100	480,000	480,000
British-American Asset Managers Limited	100	80,000	80,000
Britam Insurance Company (Uganda) Limited	100	500,000	400,000
Britam Insurance Company Limited (South Sudan)	100	391,710	250,000
Britam Insurance Company (Rwanda) Limited	100	377,000	250,000
Bramer Properties Limited	100	100	100
Real Insurance Company Limited	99	2,192,511	-
Real Comphania de suguros de Mozambique	97.02	119,291	-
Total Investment		4,140,612	1,460,100

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position as at 31 December	Real Insurance Tanzania Limited		Real Insurance Company of Malawi Limited	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Current				
Assets	477,048	444,366	317,433	346,931
Liabilities	(39,310)	(30,129)	(21,441)	(258,600)
Total current net assets	437,738	414,237	295,992	88,331
Non-current				
Assets	469,802	399,209	121,838	26,793
Liabilities	(776,035)	(630,405)	(284,842)	(6,175)
Total non-current net assets	(306,233)	(231,196)	(163,004)	20,618
Net assets	131,505	183,041	132,988	108,949

Summarised statement of comprehensive income as at 31 December	Real Insurance Tanzania Limited		Real Insurance Company of Malawi Limited	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Revenue	982,197	872,181	516,572	412,731
Profit before income tax	(99,748)	52,053	(137,913)	48,174
Income tax expense/credit	26,702	(18,136)	(5,907)	(73)
Post-tax profit or loss from continuing operations	(73,047)	33,917	(143,821)	48,102
Total comprehensive income	(73,047)	33,917	(143,821)	48,102

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summarised statement of cashflows as at 31 December

	Real Insurance Tanzania Limited	Real Insurance Company of Malawi Limited
	2014	2014
	Shs'000	Shs'000
Cash flows from operating activities		
Cash generated from operations	31,858	67,922
Income tax paid	(6,224)	(9,237)
Net cash generated from operating activities	25,634	58,685
Net cash used in investing activities	(4,392)	36,345
Net cash used in financing activities	(12,475)	-
Net increase in cash and cash equivalents and bank overdrafts	8,767	95,030
Cash, cash equivalents and bank overdrafts at beginning of year	131,385	181,035
Cash, cash equivalents and bank overdrafts at end of year	140,152	276,065

The information above is the amount before inter-company eliminations. No dividends were paid to non-controlling interests during the year.

26 (iii) Non-controlling interests

Summary of minority interest in the partially owned subsidiaries	Real Insurance Company Limited	Real Comphania de suguros de Mozambique	Real Insurance Tanzania Limited	Real Insurance Company of Malawi Limited	Total
Proportion of shares held by non-controlling interests	1.00%	2.98%	45.55%	35.65%	-
Net assets per subsidiary company at 31 July 2014 (Shs' thousands)	296,746	133,461	70,778	(63,509)	437,476
Net assets attributable to non-controlling interests at 31 July 2014 (Shs' thousands)	2,967	2,110	60,791	(22,641)	43,227
Post acquisition profit after tax attributable to non-controlling interests (Shs' thousands)	367	1,976	(6,944)	990	(3,611)
Total non-controlling interests at year end	3,334	4,086	53,847	(21,651)	39,616

27 Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (Note 18). There were no potentially dilutive shares as at 31 December 2014 or 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014	2013
Profit attributed to equity holders (Shs' thousands)	2,501,489	2,315,448
Weighted number of ordinary shares in issue (thousands)	1,911,138	1,911,138
Basic and diluted earnings per share (Shs)	1.31	1.21

28 (i) Investment property

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	3,782,181	1,706,057	535,000	-
Additions	1,020,640	1,080,031	28,100	327,614
Fair value gains on investment property	801,734	996,093	107,000	207,386
At end of year	5,604,555	3,782,181	670,100	535,000

The valuation exercise for investment property was carried out by Gimco Limited, registered professional valuers on 29 December 2014. Investment property is valued on an open market basis. An investment in property is classified as non-current asset. The fair values arising from the open market valuation of investment property is categorised as level 2 in the fair value hierarchy.

28 (ii) Investment in property funds

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	-	-	-	-
Additions	892,117	-	506,913	-
Fair value gains on property funds	(70,138)	-	(14,670)	-
At end of year	821,979	-	492,243	-

A property fund invests primarily in property investments with an aim of realising gains from either rental income or realised income from selling the property. Fair value gains in the property funds are consequently a direct product of the share of ownership in the fund and the unrealised gains from the underlying investment property. An investment in property fund is classified as a non-current asset. The fair values arising from the valuation of investment in property funds are categorised as level 2 in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (i) Quoted ordinary shares at fair value through other comprehensive income

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	6,109,614	4,937,399	3,178,840	1,549,124
Reclassification of equities on IFRS 9 adoption	-	140,553	-	1,387,216
Reclassification of ordinary shares from assets at fair value through other comprehensive income to assets at fair values through profit or loss (Note 29 (ii))	(368,197)	-	-	-
Additions	-	-	2,800,000	-
Disposals	-	(481,138)	-	(481,138)
Fair value gains	4,169,108	1,512,800	3,072,745	723,638
At end of year	9,910,525	6,109,614	9,051,585	3,178,840

Quoted ordinary shares at fair value through other comprehensive income are classified as non-current assets.

29 (ii) Quoted ordinary shares at fair value through profit or loss

At start of year	7,632,998	6,084,289	2,534,524	3,344,775
Reclassification of equities on IFRS 9 adoption	-	(140,553)	-	(1,387,216)
Transfer from unquoted ordinary shares	-	50,490	-	-
Reclassification of ordinary shares from assets at fair value through other comprehensive income to assets at fair values through profit or loss (Note 29 (i))	368,197	-	-	-
Additions	962,703	193,423	-	-
Disposals	(737,426)	(299,031)	-	-
Fair value gains	3,327,340	1,744,380	1,586,653	576,965
At end of year	11,553,812	7,632,998	4,121,177	2,534,524

Quoted ordinary shares at fair values through profit or loss are classified as current assets.

30 Unquoted ordinary shares at fair value through profit or loss

	Group	
	2014	2013
	Shs '000	Shs '000
At start of year	3,770	54,009
Additions	2,072	251
Reclassification of equities on listing	-	(50,490)
At end of year	5,842	3,770

Unquoted ordinary shares at fair value through profit or loss are classified as non-current assets. Please see Note 4 (f) for their fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 Unit trusts

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	8,066,022	6,064,687	189,748	175,709
Additions	678,901	586,322	-	-
Disposals	(2,385,779)	(188,914)	(203,707)	-
Fair value gains	758,022	1,603,927	13,959	14,039
At end of year	7,117,166	8,066,022	-	189,748

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. Unit trusts are classified as current assets.

32 (i) Government securities at fair value through profit or loss

	Group	
	2014	2013
	Shs'000	Shs'000
Treasury bills and bonds maturing		
- Within 1 year	5,263	35,164
- In 1 – 5 years	1,233,550	23,036
- After 5 years	1,256,402	506,893
Total	2,495,215	565,093
Treasury bills and bonds movement		
- At start of the year	565,093	176,562
- Reclassification of bonds on IFRS 9 adoption	-	238,297
- Additions	1,992,405	244,530
- Fair value gains	16,803	7,235
- Disposals and maturities	(79,086)	(101,531)
At end of year	2,495,215	565,093

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32(ii) Government securities held at amortised cost

	Group	
	2014 Shs'000	2013 Shs'000
Treasury bills and bonds maturing		
- Within 1 year	134,100	123,209
- In 1 – 5 years	2,997,887	2,754,409
- After 5 years	5,756,000	5,288,516
Total	8,887,987	8,166,134
At start of year	8,166,134	6,685,780
Reclassification of bonds on IFRS 9 adoption	-	(238,297)
Additions	1,661,563	2,962,215
Maturities	(939,710)	(1,243,564)
At end of year	8,887,987	8,166,134

33 Corporate bonds held at amortised cost

	Group	
	2014 Shs'000	2013 Shs'000
Maturing Profile		
Within 1 year	96,294	40,780
In 1 – 5 years	822,008	348,114
After 5 years	479,411	203,026
Total	1,397,713	591,920
Corporate bonds movement		
At start of year	591,920	508,358
Additions	1,122,923	114,253
Maturities	(317,130)	(30,691)
At end of year	1,397,713	591,920

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Mortgage loans

	Group	
	2014 Shs'000	2013 Shs'000
Total loans at start of year	835,150	748,520
Loans advanced	159,921	168,012
Loan repayments	(157,680)	(169,957)
Accrued interest	78,655	88,575
Total loan amount at end of year	916,046	835,150
Less: Provision for impairment losses	(51,293)	(41,335)
Net loan amount at end of year	864,753	793,815
Movement in provision for mortgages impairment losses:		
At 1 January	41,335	25,073
Increase	9,958	16,262
At 31 December	51,293	41,335
Lending commitments:		
Mortgage loans approved by investment committee but not advanced as at 31 December	77,378	68,060
Mortgage loans maturity profile		
- Within 1 year	35,595	32,675
- In 1 - 5 years	230,959	212,013
- After 5 years	598,199	549,127
At end of year	864,753	793,815

Mortgage loans to related parties are disclosed in Note 40.

35 Loans and receivables to policyholders

At start of year	376,778	340,935
Loans advanced	429,130	306,912
Surrenders	(66,620)	(81,510)
Loan repayments	(316,716)	(239,589)
Accrued interest	65,512	50,030
At end of year	488,084	376,778
Loans and receivables to policyholders maturity profile		
- Within 1 year	182,901	141,191
- In 1 - 5 years	276,874	213,734
- After 5 years	28,309	21,853
At end of year	488,084	376,778



NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 (i) Receivables arising out of reinsurance arrangements

	Group	
	2014 Shs '000	2013 Shs '000
At the start of the year	81,228	48,912
Additions	848,869	32,316
At the end of the year	930,097	81,228
Receivables maturity profile		
Past due 1 - 60 days	662,694	59,459
Past due 61 - 90 days	83,708	15,271
Past due 91 - 180 days	183,695	6,498
Total	930,097	81,228

Creditors arising from reinsurance arrangements

At the start of the year	107,709	183,861
Additions/payments	739,307	(76,152)
At the end of the year	847,016	107,709

The growth in receivables arising out of reinsurance arrangements is attributable to high growth in amounts due from the reinsurers in respect of claims already paid by the Group on risks that are reinsured. On the other hand, the payables arising out of reinsurance arrangements is attributable to the increase in sizes of the risks being underwritten by the different units in the Group, hence more ceded business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 (ii) Receivables arising out of direct insurance arrangements

	Group	
	2014 Shs '000	2013 Shs '000
Past due but not impaired	2,505,367	1,053,931
Impaired	71,343	6,768
Gross	2,576,710	1,060,699
Less: Provision for impairment	(71,343)	(6,768)
Net	2,505,367	1,053,931
Movements in the provision account :		
At 1 January	6,768	6,768
Increase	64,575	-
Totals	71,343	6,768
Maturity profile		
Past due 1 - 60 days	1,338,120	534,441
Past due 61 - 90 days	246,413	147,380
Past due 91 - 180 days	920,834	372,110
Total	2,505,367	1,053,931

37 Reinsurers' share of insurance liabilities

Reinsurers' share of:		
- Notified claims outstanding - long term	43,424	60,197
- Notified claims outstanding - short term (Note 47)	607,300	1,966,711
- Unearned premium (Note 51)	1,233,778	352,705
- Claims incurred but not reported (Note 47)	388,705	30,804
At end of year	2,273,207	2,410,417

Amounts due from reinsurers 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. Reinsurers' share of insurance liabilities is classified as a non-current asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 Deferred acquisition costs

	Group	
	2014	2013
	Shs'000	Shs'000
At start of year	180,389	131,274
Additions	344,491	73,181
Amortisation charge	(169,528)	(24,066)
At end of year	355,352	180,389

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.

39 Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2013: 30%). Capital gains tax, at 5%, was introduced with effect from 1 January 2015. Unrealised revaluation gains on property and equities have created a deferred tax liability. Movements in temporary difference components such as existing taxable losses, provisions and property and equipment depreciation have had varying impacts on deferred tax asset and deferred tax liability. The movement in the deferred income tax account and the composition of the unrecognised deferred income tax asset is as follows:

Group	31.12.14	2014	31.12.13	2013	1.1.13
	Shs'000	Movement Shs'000	Shs'000	Movement Shs'000	Shs'000
Property and equipment:					
- on historical cost basis (buildings only)	21,737	(13,030)	34,767	(8,952)	43,719
Provisions	56,225	47,317	8,908	21,255	(12,347)
Tax losses brought forward:	376,963	136,837	240,126	4,477	235,649
Less: Deferred tax asset not recognised:					
- British-American Insurance Company (Kenya) Limited	-	14,713	(14,713)	9,300	(24,013)
- British-American Investment Company (Kenya) Limited	(290,321)	(26,488)	(263,833)	(25,023)	(238,810)
Capital gains tax;					
- British-American Investment Company (Kenya) Limited	(474,102)	(474,102)	-	-	-
Life fund surplus	(2,288,185)	(384,798)	(1,903,387)	(478,701)	(1,424,686)
Net deferred income tax liability	(2,597,683)	(699,551)	(1,898,132)	(477,644)	(1,420,488)
Reconciliation:					
Income statement	-	(138,394)	-	(261,946)	-
Other comprehensive income	-	(561,157)	-	(215,698)	-
Total	-	(699,551)	-	(477,644)	-
Statement of financial position					
Deferred income tax asset	168,290	163,035	5,255	1,057	4,198
Deferred income tax liability	(2,765,973)	(862,586)	(1,903,387)	(478,701)	(1,424,686)
Net deferred income tax liability	(2,597,683)	(699,551)	(1,898,132)	(477,644)	(1,420,488)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Company

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.

	31.12.14	2014	31.12.13	2013	1.1.13
	Shs'000	Movement Shs'000	Shs'000	Movement Shs'000	Shs'000
Property and equipment:					
- on historical cost basis (buildings only)	2,895	437	2,458	3,146	(688)
Provisions	23,751	2,502	21,249	17,400	3,849
Tax losses brought forward	263,675	23,549	240,126	4,477	235,649
Capital gains tax					
- income statement	(186,302)	(186,302)	-	-	-
- statement of financial position	(287,800)	(287,800)	-	-	-
Deferred tax asset not recognised	(290,321)	(26,488)	(263,833)	(25,023)	(238,810)
Net deferred income tax liability	(474,102)	(474,102)	-	-	-

40 Related party transactions

There are several companies related to the Group through common shareholdings or being controlled or significantly influenced by a director or key management personnel of the Company.

(i) Outstanding balances with related parties

Dues to related party – Company

	2014	2013
	Shs'000	Shs'000
British-American Insurance Company (Kenya) Limited	782,424	798,343
Real Insurance Company Limited	582	-
Real Insurance Company of Malawi Limited	2,912	-
Total	785,918	798,343



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Dues from related party - Company	2014	Restated 2013
	Shs'000	Shs'000
British-American Asset Managers Limited	255,249	4,622
Britam Insurance Company (Uganda) Limited	12,903	7,493
Britam Insurance Company Limited (South Sudan)	6,029	2,080
Britam Insurance Company (Rwanda) Limited	5,960	1,173
Bramer Properties Limited	669,381	329,896
Real Comphania de suguros de Mozambique	5,543	-
Real Insurance Tanzania Limited	153	-
Total	955,218	345,264

The value of Equity Group Holdings Limited shares held by the Group at the end of the year amounted to Shs 18,686,751,000 (2013: Shs 11,490,144,000).

The Group has also invested Shs 7,117,166,000 (2013: Shs 8,066,022,000) in the various British-American unit trust funds. The investment in property funds and in liquid funds of Shs 821,979,000 (2013: nil) and Shs 1,196,323,000 (2013: 1,161,326,000) respectively are both managed by British-American Asset managers Limited.

The inter-company balance owed by the holding company to British-American Insurance Company (Kenya) Limited attracts an interest of 11% (2013: 11%) and this amounted to Shs 84.1 million (2013: Shs 76.6 million).

(ii) Mortgage loans to directors of the Group	2014	2013
	Shs'000	Shs'000
Loans to directors and their families		
At start of year	166,628	202,619
Loans advanced during the year	10,042	21,350
Interest charge for the year	19,704	30,289
Loan repayments	(15,042)	(87,630)
At end of year	181,332	166,628

Mortgage loans are given to both executive and non-executive directors. The loans are fully secured and are charged interest at 6% p.a (2013: 6% p.a) for executive directors and at 14.5% per annum (2013: 14.5% per annum) for non-executive directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Transactions with related parties	2014	2013
	Shs'000	Shs'000
Gross earned premium		
- Equity Bank Limited	2,301,047	2,146,024
- British-American Asset Managers Limited	2,176	2,009
- Housing Finance Company of Kenya Limited	95,802	26,371
Net claims incurred - Equity Bank Limited	898,629	966,310
Interest on related party balance	84,002	84,860
Fair value gains on Equity Group Holdings Limited shares	4,877,798	1,826,619
Acquisition of additional shares in Housing Finance Company of Kenya Limited	2,780,320	-
25% share of Acorn Group profit after tax	-	8,080
46.04% (2013: 21.46%) share of Housing Finance Company of Kenya Limited profit after tax	259,007	173,605
46.04% (2013: 21.46%) share of Housing Finance Company of Kenya Limited other comprehensive income	37,954	-

The Group holds a 10.1% (2013: 10.1%) stake in Equity Group Holdings Limited and 46.04% (2013: 21.46%) in Housing Finance.

(iv) Directors' and Senior Managers' remuneration – Group

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employment services is shown below:

	2014	2013
	Shs'000	Shs'000
Directors' fees	66,953	18,549
Directors' other remuneration	54,171	78,652
Senior Managers' remuneration	446,932	180,579
Total	568,055	277,780

41 Other receivables

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Staff and agents loans	110,372	67,270	-	-
Car loans and premium financing	254,576	187,251	-	-
Accrued income	51,232	134,372	-	-
Dues from managed funds	309,025	137,844	14,149	-
Prepayments	87,642	19,939	834	-
Other receivables	143,011	79,525	4,623	-
Total	955,858	626,201	19,606	-

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 Cash and cash equivalents

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

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and bank balances	1,050,785	617,196	59,409	34,863
Deposits with financial institutions	4,594,079	1,430,092	1,000,027	59,220
Investment in liquid funds	1,196,323	1,161,326	1,178,784	1,072,427
Bank overdraft	-	(116,691)	-	-
Total cash and cash equivalents	6,841,187	3,091,923	2,238,220	1,166,510

Investment in liquid funds; these are investments in the Cash Management Solution (CMS) product by British American Asset managers. The product, investments in deposits with financial institutions and is therefore liquid in nature. The Group entities usually investment in the fund, in the short term (maximum 3 months at a time) with the option to renew.

The weighted average effective interest rate on short-term bank deposits was 11.96% (2013: 11.67%). The effective interest rate on overdraft was 14.5% (2013: 10.40%) which was the applicable 91 day Treasury bill rate plus a margin of 2%.

Cash and cash equivalents of Shs 38,839,000 (2013: Shs 38,839,000) is restricted cash in Britam Insurance Company Limited (South Sudan). Under section 9(i) of the Bank of South Sudan Act, the Company is required to maintain a security deposit with the Bank of South Sudan of at least 10% of the prescribed minimum paid up capital. The Bank of South Sudan retained 10% from the first instalment paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Notes	Group	
		2014 Shs'000	2013 Shs'000
Profit before tax		3,212,382	3,120,823
Adjustments for:			
Interest from investment property	7	(782,237)	(1,059,524)
Interest and dividend income	8	(2,538,051)	(1,699,939)
Net realised gains on financial assets	9	(156,983)	(232,727)
Net fair value gains on financial assets at fair value through profit or loss	10	(4,102,165)	(3,355,540)
Depreciation of leasehold improvements and equipment	22	(208,633)	122,082
Amortisation of intangible assets	23	(55,607)	24,695
Foreign currency (gains)/losses		(169,566)	(7,732)
Share of profit of the associates	24	(259,007)	(181,685)
Changes in:			
- Receivables arising out of direct insurance arrangements		(1,451,436)	(513,332)
- Receivables arising out of reinsurance arrangements		(848,867)	(32,316)
- Re-insurers' share of insurance liabilities		137,210	(14,155)
- Unearned premium		3,321,324	597,257
- Retirement benefit asset		72,581	(14,080)
- Other payables		674,518	322,631
- Receivables from related parties		-	5,075
- Deferred acquisition costs		(174,963)	(49,115)
- Other receivables		(329,657)	(245,071)
- Insurance contract liabilities		3,729,925	1,669,958
- Liabilities under investment contract		189,612	1,568,843
- Payable under deposit administration contracts		3,092,482	2,322,003
- Creditors arising out of reinsurance arrangements		739,307	(76,153)
- Creditors arising out of direct insurance arrangements		51,190	-
Cash generated from operations		4,143,359	2,271,998

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44 Insurance contract liabilities

Movements in insurance liabilities and reinsurance assets are shown in Note 47.

	Group	
	2014	Restated 2013
	Shs'000	Shs'000
Long term insurance contracts		
- Claims reported and claims handling expenses	407,503	374,535
- Actuarial value of long term liabilities (Note 48)	12,312,720	9,263,319
Total – long term	12,720,223	9,637,854
Short term non-life insurance contracts		
- Claims reported and claims handling expenses	2,299,919	2,522,760
- Claims incurred but not reported (Note 45)	1,126,020	255,623
Total – short term (Note 45)	3,425,939	2,778,383
Total gross insurance liabilities	16,146,162	12,416,237

45 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	2010	2011	2012	2013	2014	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Estimate of ultimate claims costs:						
- at end of accident year	1,112,856	1,050,132	3,359,780	2,351,824	3,997,555	11,872,147
- one year later	1,497,721	1,393,574	2,793,064	2,896,551	-	8,580,910
- two years later	1,579,088	1,475,835	2,217,259	-	-	5,272,182
- three years later	1,667,838	1,531,384	-	-	-	3,199,222
- four years later	1,690,952	-	-	-	-	1,690,952
Current estimate of cumulative claims	1,690,952	1,531,384	2,217,259	2,896,551	3,997,555	12,333,701
Add: Incurred but not Reported	3,785	16,692	76,867	175,054	853,622	1,126,020
Add: Liability in respect of prior years	404,026	-	-	-	-	404,026
Less: Cumulative payments to date	(1,566,605)	(1,430,894)	(2,070,909)	(2,583,018)	(2,786,382)	(10,437,808)
Liability included in the statement of financial position	532,158	117,182	223,217	488,587	2,064,795	3,425,939

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 Long term insurance contract liabilities

The Group's significant amount of long term business is carried out in Kenya. The assumptions presented are therefore specific to Kenya as the rest of the life business are not significant. The Group determines its long term insurance contracts based on the prescribed valuation basis in the Insurance Act. This basis contains prudent margins for adverse experience in mortality, expenses, withdrawals and investment return. The liabilities are calculated in-house by the Actuarial department and reviewed for adequacy by the Appointed Actuary (QED Actuaries & Consultants (Pty) Limited). As at 31 December 2014, the valuation showed a surplus of Shs 6.415 billion (2013: Shs 6.662 billion).

Valuation assumptions

The key assumptions are summarized below:

(a) Mortality

The prescribed mortality assumptions are; the AKI KE 01/03 for conventional life business and a (55) for the annuity business. The same assumptions were used in 2013.

(b) Interest rate

The Insurance Act prescribes a 4% interest rate as the investment return assumption and for discounting the cash flows (benefits less premium and investment income). The same assumption was used in 2013.

(c) Persistency, expenses, expense inflation and tax

The prescribed basis does not explicitly allow for the persistency, expense, expense inflation and tax. Expense assumption is implicitly allowed through the difference between the gross premium and net valuation premium. Persistency is explicitly not allowed for.

47 Movements in insurance liabilities and reinsurance assets

Short term insurance business	2014			2013		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Notified claims	2,522,760	1,966,711	556,049	2,560,940	2,038,498	522,442
Incurred but not reported	255,623	30,804	224,819	211,563	43,305	168,258
Total at beginning of year	2,778,383	1,997,515	780,868	2,772,503	2,081,803	690,700
Cash paid for claims settled in year	(4,390,392)	(923,199)	(3,467,193)	(1,923,361)	(277,293)	(1,646,068)
Increase in liabilities: - arising from current year claims	1,205,017	617,247	587,770	1,843,565	169,844	1,673,721
- arising from prior year claims	3,832,931	(695,558)	4,528,489	85,676	23,161	62,515
Total at end of year	3,425,939	996,005	2,429,934	2,778,383	1,997,515	780,868
Notified claims	2,299,919	607,300	1,692,619	2,522,760	1,966,711	556,049
Incurred but not reported	1,126,020	388,705	737,315	255,623	30,804	224,819
Total at the end of year	3,425,939	996,005	2,429,934	2,778,383	1,997,515	780,868



NOTES TO THE FINANCIAL STATEMENTS (Continued)

48 Actuarial value of long term liabilities

	2014			Restated 2013		
	Ordinary Life	Group life	Total	Ordinary life	Group life	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year as stated	7,868,231	1,116,020	8,984,251	6,235,062	944,748	7,179,810
Additional cost of guarantee adjustment on 1 January 2013 (Note 57)	279,068	-	279,068	203,730	-	203,730
At start of year as restated	8,147,299	1,116,020	9,263,319	6,438,792	944,748	7,383,540
Policyholder bonuses and interest	-	-	-	-	(56,629)	(56,629)
Surrenders and annuity payments	(1,437,455)	(490,511)	(1,927,966)	(1,015,785)	(303,297)	(1,319,082)
Increase in the period (net) restated	3,136,625	(85,324)	3,051,301	2,067,841	(142,834)	1,925,007
Additional cost of guarantee adjustment on 31 December 2013 (Note 57)	-	-	-	75,338	-	75,338
New business	1,014,564	911,502	1,926,066	581,113	674,032	1,255,145
At end of year	10,861,033	1,451,687	12,312,720	8,147,299	1,116,020	9,263,319

49 Amounts payable under deposit administration contracts

Deposit administration contracts are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 16% for the year (2013: 16%).

	Group	
	2014	2013
	Shs'000	Shs'000
At start of year	8,109,075	5,787,072
Pension fund deposits received	2,653,872	1,850,172
Surrender and annuities paid	(989,164)	(557,379)
Interest payable to policyholders	1,427,774	1,029,210
At end of year	11,201,557	8,109,075

NOTES TO THE FINANCIAL STATEMENTS (Continued)

50 Liabilities under investment contracts

	Group	
	2014	2013
	Shs'000	Shs'000
At start of the year	6,414,370	4,845,526
Net investments	999,519	1,165,458
Liabilities released for payments:		
Surrenders	(977,499)	-
Fair value gain on investments	(440,671)	(771,991)
	608,263	1,175,377
At end of year	6,603,982	6,414,370

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.

51 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:

	2014			2013		
	Insurer's share	Reinsurers' share	Gross	Insurer's share	Reinsurers' share	Gross
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	1,536,747	352,705	1,889,452	1,115,565	176,630	1,292,195
Increase in the period (net)	2,440,251	881,073	3,321,324	421,182	176,075	597,257
At end of year	3,976,998	1,233,778	5,210,776	1,536,747	352,705	1,889,452

52 Commitments

The Group capital commitments were as follows;

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Construction of investment property	4,485,722	5,184,112	400,000	-
Investment in information technology software	618,246	-	30,912	-



NOTES TO THE FINANCIAL STATEMENTS (Continued)

The future minimum operating lease commitments under non-cancellable operating leases for the Company, for the Group were as follows:

	Receivable		Payable	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	43,449	21,604	10,231	1,934
Later than 1 year but not later than 5 years	88,850	159,074	116,558	124,990
More than 5 years	159,651	186,658	286,717	341,131
Total	291,950	345,732	413,506	468,055

53 Retirement benefit liability

The Group operates two types of retirement benefit schemes for its employees and qualifying agents

Defined contribution scheme is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate. The scheme is open to new entrants.

Defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income. The scheme is not open to new entrants.

The scheme is established under trust and the scheme funds are invested by the treasury & investment manager in a variety of asset classes comprising government securities (treasury bills and bonds), stocks and shares and commercial paper.

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

	2014	2013
	Shs'000	Shs'000
Present value of funded obligations	374,567	343,855
Fair value of plan assets	(447,334)	(344,041)
Present value of over-funding	(72,767)	(186)
Asset in the balance sheet	(72,767)	(186)

The Group adopted the revised standard IAS19R: Retirement Benefit Obligation which now prohibits the use of the corridor approach. This has resulted in immediate recognition of actuarial gains or losses in the profit or loss account. The change in the re-measurement of the retirement obligation is now recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2014	2013
	Shs'000	Shs'000
At start of year	343,855	287,695
Current service cost	10,902	8,889
Interest cost	40,338	33,974
	51,240	42,863
Re-measurements:		
Impact of change in demographic assumptions	-	-
Impact of change in financial assumptions	19,911	3,695
Experience adjustments	(14,001)	28,047
Benefits paid	(26,438)	(18,445)
At end of year	374,567	343,855

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

At start of year	344,041	261,306
Interest income	44,494	34,175
Re-measurements:		
Return on plan assets	17,468	10,926
Employer contributions	65,356	54,316
Employee contributions	6,973	6,287
Expenses paid	(4,560)	(4,524)
Benefits paid	(26,438)	(18,445)
Total re-measurements	41,331	37,634
At end of year	447,334	344,041

The trustees have invested the scheme assets in a guaranteed fund. Expected contributions to the plan for the year ending 31 December 2015 are Shs 74,342,000 (2014: Shs 63,839,000).

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

Current service cost	10,902	8,889
Interest income	(4,156)	(201)
Past service costs	-	-
Contributions received from members	(6,973)	(6,287)
Expenses paid	4,560	4,524
Total included in employee benefit expense	4,333	6,925



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The re-measurement included in the other comprehensive Income of the Retirement liability/asset amounted to Shs 11,558,000 (2013: 14,266,000).

The principal actuarial assumptions used were as follows:

	2014	2013
- discount rate	12.20%	12.20%
- future salary increases	12.00%	10.00%
- future pension increases	0.00%	0.00%

The sensitivity of the present value of funded obligations to changes in the principal assumptions is:

	Effect of:	
	Increase	Decrease
- discount rate-100 basis points (+ or - 1.00% per annum)	-7.79%	9.01%
- future salary increases-100 basis points (+ or - 1.00% per annum)	1.26%	-1.26%
- future pension increases-100 basis points (+ or - 1.00% per annum)	3.49%	3.49%

54 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	
	2014	2013
	%	%
Mortgage loans	9.64	11.39
Policy loans	14.5	14.50
Government securities	10.9	11.29
Deposits with financial institutions	12.4	7.1
Corporate bond	12.7	12.23

Deposits with financial institutions have an average maturity of 3 months (2013: 3 months)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

55 Other payables

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Accrued expenses	592,057	566,103	124,778	128,389
Premiums paid in advance	144,209	135,789	-	-
Stale cheques	108,845	64,380	-	-
Accrued dividends payable	22,587	2,731	22,587	2,735
Payables to staff	20,277	11,993	15,753	3,128
Trade payables	274,803	47,720	19,136	-
Government taxes & statutory deductions	50,224	24,489	7,986	9,701
Other liabilities	420,429	105,708	2,979	-
Total other payables	1,633,431	958,913	193,219	143,953

There are no individually significant items under other liabilities category. Other payables are classified as current liabilities

56 (a) Contingent liabilities

Real Insurance Company Limited has guaranteed staff car loans taken with NIC Bank Limited of up to Shs 15 million (2013: Shs 15 million), while Real Insurance Company of Malawi Limited is a guarantor for its employees staff share ownership who obtained individual loans in order to finance the acquisition of the company's shares; at the reporting date, the qualifying staff had since exercised their rights on the shares and there have been no transactions involving the company and the employee share ownership scheme.

In common with the insurance industry in general, the Group is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the Group.

56 (b) Other Legal case

The British-American Asset Managers Limited is the Fund manager of a Limited Liability Partnership (LLP) which has been mandated to invest in property. The LLP loaned Shs 3.9 billion to various third parties to purchase property. The company on behalf of the LLP has instituted legal suits to recover the above amounts plus costs. The court cases are ongoing and we expect that the outcome will be favourable

57 Prior year adjustments

Group

Prior year adjustments were made in relation to;

1. **Cost of guarantee on the Deposit Administration product fund;** The deposit administration DA Policy Contract states that "Interest on Scheme Deposits received in the first three years of commencement of the scheme is guaranteed at a rate of 5% per annum. At expiry of this period and with



NOTES TO THE FINANCIAL STATEMENTS (Continued)

reference to trustees the rate of guaranteed interest shall be decided by the Actuary for the time being of the insurance company and the insurance company shall notify the policyholder in writing of the new rate.” The cost of guarantee is therefore a cost to the company for guaranteeing a minimum return of 5% to all members of the DA fund.

The adjustment relates to the cost of guarantee reserve that has not been set aside historically. The general reserve has been reduced with a similar amount.

2. **Deferred Income Tax (DIT) on life business surplus;** the adjustment was in pursuance of new guideline ICPAK issued in December 2014, on treatment of deferred income tax on the life fund surplus for Life insurance companies in Kenya. Guideline: “A deferred income tax liability should be recognised on the whole life fund surplus carried forward, not recommended for transfer for the benefit of shareholders.” Where DIT on actuarial surplus had not been previously recognised, the Group has reflected the change as per IAS 8 and has restated prior period financial statements.

Below are the adjustments:

	General reserves	Actuarial value of long-term insurance contracts liabilities	Deferred tax	Retained earnings
	Shs'000	Shs'000	Shs'000	Shs'000
As reported 1 January 2013	5,745,519	10,467,211	-	2,900,342
Adjustments made on 1 January 2013:				
- Cost of guarantee adjustment	(203,730)	203,730	-	-
- Deferred tax on life fund surplus	(1,424,686)	-	1,424,686	-
Total adjustments on 1 January 2013	(1,628,416)	203,730	1,424,686	-
Restated balance 1 January 2013	4,117,103	10,670,941	1,424,686	2,900,342
As reported on 31 December 2013:	10,324,005	12,137,169	-	2,784,329
Adjustments made on 1 January 2013	(1,628,416)	203,730	1,424,686	-
Adjustments made on 31 December 2013:				
- Cost of guarantee adjustment	-	75,338	-	(75,338)
- Deferred tax on life fund surplus	(215,698)	-	478,701	(263,003)
Total adjustments on 31 December 2013	(1,844,114)	279,068	1,903,387	(338,341)
As restated 31 December 2013	8,479,891	12,416,237	1,903,387	2,445,988

EPS	2013 as previously stated	Restatement	2013 as restated
Profit attributed to equity holders (Shs' thousands)	2,653,789	(338,341)	2,315,448
Weighted number of ordinary shares in issue (thousands)	1,891,452	1,891,452	1,891,452
Basic and diluted earnings per share (Shs)	1.40	(0.18)	1.22

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Company

Management, while preparing financial statements of the Company for the year ended 31 December 2014, realised that the beneficial ownership of the Ngong' Property previously accounted for in the books of its subsidiary Bramer Properties Limited in the year 2013 is instead held by itself. The exclusion of the property in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements.

Consequently, the Company adjusted all comparative amounts presented in the current year's financial statements affected by the accounting error. The value of the property including the revaluation gains has been transferred from the books of the subsidiary to its own books. The acquisition value of the land transferred amounted to Shs 327,614,000 while the revaluation gains for the year 2013 amounted to Shs 207,386,000.

The correction of the error has been applied to all prior period comparative amounts affected by the omission, retrospectively. Current year's profit and opening retained earnings for the comparative period presented are therefore unaffected by the correction of prior period error.

	Profit after tax	Investment in property	Receivables from related parties	Retained earnings
		Shs'000	Shs'000	Shs'000
As reported 31 December 2013	1,071,354	-	672,881	2,459,633
Adjustments made on 31 December 2013;				
- Transfer of cost of property	-	327,614	(327,614)	-
- Transfer of the revaluation gains	207,386	207,386	-	207,386
As restated 31 December 2013	1,278,740	535,000	345,264	2,667,019

British-American Investments Company (Kenya) Limited ANNUAL GENERAL MEETING

PROXY FORM

I/We _____

CDS A/C No _____

of (address) _____

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

of (address) _____

_____ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on

my/our behalf at the Annual General Meeting of the Company to be held on Friday 26th June 2015 at 10.00 a.m., or at any adjournment thereof.

As witness to my/our hands this _____ day of _____ 2015

Signature(s) _____

Notes:

1. A member is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his steady 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 authorized 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, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than 10.00 am on Wednesday 24th June 2015 failing which it will be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format.

