PROSPECTUS FOR THE INITIAL PUBLIC OFFER OF SHARES

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED

(Formerly BRITAK INVESTMENTS COMPANY LIMITED)

(the "Company")

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

Registration Number C.66029

PROSPECTUS

In respect of an Offer for subscription by British-American Investments Company (Kenya) Limited of 650,000,000 Ordinary Shares at an Offer Price of Kshs 9/= per Share with a par value of Ten Kenya Cents (Kshs 0.10/=) each (the "Offer Shares") constituting a public Offer of 30.23% of the issued Ordinary Shares of the Company on the Main Investment Market Segment of the Nairobi Stock Exchange ("NSE")

and incorporating a Share Application Form

Proposed Listing Date Friday, 2 September 2011

This Prospectus is issued in compliance with the Companies Act (Cap 486), the Capital Markets Act (Cap 485A), the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 (as amended in 2008) and the NSE Listing Regulations.

The date of this Prospectus is 29 June 2011

This Offer opens at 9.00 a.m. on 12 July 2011 and closes at 3.00 p.m. on 5 August 2011

Joint Lead Transaction Advisors

KPMG
cutting through complexity

NIC CAPITAL

Joint Lead Sponsoring Stockbrokers

STANDARD INVESTMENT BANK
simply, we are the standard

Kestrel Capital (E.A) Limited

Reporting Accountants

pwc

Legal Advisors

DALY & FIGGIS

Receiving Banks

EQUITY
Bank • Your Listening, Caring Partner

Standard Chartered

Media and Communication Agency

SCANAD

Public Relations

HILL & KNOWLTON

Registrar and Receiving Agent

Image Registrars Limited
Securities Registrars & Trustees

Our Vision

To be the most trusted financial services company.

Our Mission

To delight our customers with outstanding financial services.

Our Values

Mutual Respect

Innovate, Challenge and Implement

Accountability

Integrity

Our Outlook

Our rich heritage is the cornerstone of our future.

Our Brand Positioning

Our great Past will lead us to a great Future.

IMPORTANT NOTICE

THIS DOCUMENT IS IMPORTANT FOR MAKING A DECISION TO INVEST AND REQUIRES YOUR CAREFUL ATTENTION AS IT INCLUDES LEGAL, MARKET AS WELL AS HISTORIC, CURRENT AND FUTURE FINANCIAL INFORMATION

This document is a Prospectus comprising an offer for Subscription ("Offer") of 650,000,000 new ordinary shares ("Offer Shares") of Kshs 9/= each ("the Offer Price") in the share capital of British-American Investments Company (Kenya) Limited ("the Company").

This Prospectus includes particulars given in compliance with the requirements of the Companies Act (Cap. 486), the requirements of the Capital Markets Act (Cap. 485A), The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 (as amended in 2008), as well as the rules and regulations made thereunder and the Rules of the Nairobi Stock Exchange.

Prospective investors should carefully consider the matters set forth in this document. In case of any discrepancy between an electronic copy of this Prospectus and the printed version, the printed version will prevail. Investors should read the printed version of this Prospectus before making an investment decision.

If you are in doubt as to the meaning of the contents of this Prospectus or as to what action to take, please consult your investment bank, financial advisor, stockbroker or other professional advisor, duly authorised under the Capital Markets Act, who specialises in advising on the acquisition of shares and other securities.

The Directors of the Company, whose names appear on page 9 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors of the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus for which they take responsibility is in accordance with facts and does not omit anything likely to affect the import of such information.

A copy of this Prospectus and the Share Application Form together with the documents required by Section 43 of the Companies Act (Cap. 486) to be attached hereto, have been delivered to the Registrar of Companies in Nairobi for registration.

Application has been made to the Capital Markets Authority ("CMA") and approval has been granted for the public offering and listing of the ordinary shares of the Company on the Nairobi Stock Exchange ("NSE"). Subject to compliance with the NSE Listing Rules, the NSE will admit listing of the ordinary shares of the Company under the security code "BRIT" in the Main Investment Market Segment ("MIMS"). As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Approval of the Offer and/or Listing is not to be taken as an indication of the merits of the Company or of the Offer Shares.

If fully subscribed, under the terms outlined herein, the issued Offer Shares will constitute 30.23% of the issued share capital of the Company.

The Offer is open to 4 categories of investors: (i) Employees, Agents and Individual Life Policy Holders, (ii) East African Retail Investors, (iii) Qualified Institutional Investors and (iv) Foreign Investors (as such terms are defined in the Prospectus). If you wish to apply for the Offer Shares in terms of the Offer then you must follow the procedures for application and payment set out in the Section 1.19 of Section 1 entitled "Key Features of the Offer". In case of an oversubscription in any allocation category/ categories, the Offer Shares will be allocated to the concerned investors on a pro rata basis as more particularly specified in Section 1.17 of the Prospectus.

The Offer Shares when fully allotted, paid and issued under the terms of the Offer will rank equally in all respects with the existing issued ordinary shares of Kshs 0.10/= in the Company ("Shares") and will carry the right to participate in full in any dividends to be declared and paid, if any, on the ordinary share capital of the Company in respect of the financial year ending 31 December 2011.

After the closing of the Offer, the ordinary share capital of the Company will comprise 3,000,000,000 authorised Shares and 2,150,000,000 issued Shares with a par value of Kshs 0.10/=. These Shares will be freely transferable and will not be subject to any restrictions on marketability or any pre-emptive rights.

The restrictions to which the Offer and the Offer Shares are subject are set out fully under section 1.13 of this Prospectus titled "Key Features of the Offer – Minimum and Maximum Application Size".

The Offer does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such an offer or solicitation would be unlawful.

Legal Advisor's Opinion

Daly & Figgis Advocates, the Legal Advisors, have given and not withdrawn their written consent to the inclusion in this Prospectus of their Legal Opinion (attached as Appendix 1), and the references to their names, in the form and context in which they appear, and have authorised the contents of the said Legal Opinion.

The Statutory, Legal and General Information section of this Prospectus lists material contracts which arose in the ordinary course of business in which the Group is presently involved.

Reporting Accountants' Opinion

This Prospectus contains statements from PricewaterhouseCoopers, the Reporting Accountants, which constitutes a statement made by an expert in terms of Section 42(1) of the Companies Act. The Reporting Accountants have given and not withdrawn their consent to the issue of the said statements in the form and context in which they are included in this Prospectus.

Forward-looking statements

This Prospectus contains "forward-looking statements" relating to the Company's business. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "is expected to", "will", "will continue", "should", "would be", "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. These statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of these factors are discussed in more detail under "Risk Factors" and "Business Overview". Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected.

Copies of the Prospectus may be obtained from any of the Authorised Selling Agents or the Receiving Bank whose addresses are in this Prospectus.

This Prospectus is dated: 29 June 2011

Letter from the Group Chairman

Dear Investors,

On behalf of the Board of Directors of British-American Investments Company (Kenya) Limited ("British-American"/ "Company"), I have great pleasure in presenting to you this Prospectus for the Initial Public Offer ("IPO") for the subscription of new shares in the Company ("Offer Shares").

This IPO and the subsequent listing of our shares is one of the greatest milestones in the long history of our Company in Kenya. We have been an influential and innovative presence in this market since 1965. Our performance has been characterised by steady, prudent and profitable growth focused on wide geographical coverage and a strong belief in local management.

About us

British-American and its subsidiaries (the "Group") have grown tremendously since the commencement of business in Kenya in 1965. The Group has evolved over the years, from a home service life insurance branch to a fully-fledged financial services powerhouse offering life insurance, health insurance and property/casualty insurance products as well as unit trust, discretionary portfolio management and personal wealth management services. The Group has a very strong balance sheet with assets of approximately Kshs 25 billion, including strategic equity investments and real estate holdings. In line with our regional expansion strategy, the Group recently commenced operations in Uganda through its subsidiary Britam Insurance Company (Uganda) Limited. The Kenyan subsidiaries have been highly successful in providing quality insurance and investment products and services and are market leaders in their respective sectors.

Strategy

Our qualified, experienced and dedicated directors and management have identified a raft of exciting new strategies which will drive the Group's next era of growth. These strategies should underpin further enhancement of shareholder value once fully implemented and include:

- Regional expansion – our expansion into Uganda will be complemented by entry into other neighbouring markets of Tanzania, Rwanda, South Sudan and others in the expectation of significant growth opportunities afforded in these emerging economies;
- Micro-insurance and Bancassurance – through the development of innovative new products and distribution channels, we seek to fundamentally redefine the scale and scope of the insurance sector in Kenya and the wider region;
- Real estate – building on past property development successes, we plan to invest on a much broader scale in land and large scale development, including both commercial buildings and affordable housing, allied to the provision of innovative financial products to assist potential homeowners;
- Collective Investment Schemes – we aim to expand on our existing unit trust offerings to launch an array of structured funds including international and real estate funds; and
- Market penetration - we will tap the economic potential nascent in the newly created counties in Kenya by building on our core distribution strengths. In particular our sales force is presently one thousand strong and we intend to expand it considerably further in the future. Our established model of scale, reach and multi-layered selling will also be extended to the retail market and SMEs in the wider geographical region.

With the support of investors and the current shareholders, the Board's proven track record in the financial sector and senior management expertise, the Group is well poised to meet these above objectives and create significant value for its shareholders.

The IPO

The IPO follows approval by the shareholders on 17 June 2011 for the increase in authorised share capital and the raising of additional equity capital, subsequent to which our shares will be listed on the Main Investment Market Segment of the Nairobi Stock Exchange.

The public listing of our shares will provide an opportunity to Kenyans to acquire an equity interest in the Group they have supported loyally for the last forty-six years and to be part of our ambitious growth and expansion strategies. We are seeking to raise up to Kshs 5,850,000,000 of new equity capital to finance the above strategies and will be issuing up to 650,000,000 Offer Shares at Kshs 9/= per Offer Share.

Whilst the Group is already over 60% owned by Kenyan investors, this IPO will reinforce its position as a truly Kenyan financial institution.

Outlook

The Group will place emphasis on its position as a market leader in the life insurance and asset management markets and take advantage of the well founded and extraordinary optimism of the Kenyan population about this country's economic potential. Life insurance has long been recognised for its ability to create, mobilise and distribute capital through the sale of long term insurance products and the re-injection of accumulated savings into the economy through loans and other investments such as land and property development. The Group will continue to champion this long established business model.

The future of the Group is indeed promising as it takes strides to be at the forefront of both local and regional expansion as well as property investment and development. We believe that 2011 will be another strong year for the Group and, looking beyond, we are confident that we will continue to go from strength to strength.

This letter therefore serves as an invitation for you to join us as a shareholder of the Company and thereby acquire a stake in the Group. On behalf of the Board of Directors, I commend this issue to you and thank you for your interest. I look forward to welcoming you as a shareholder in British-American.

Appreciation

I would like to express my appreciation for the support we have received from the Capital Markets Authority, the Nairobi Stock Exchange, our shareholders and our advisors in this endeavour.

Yours Sincerely,

J. Nicholas Ashford-Hodges

Group Chairman

CORPORATE INFORMATION

CURRENT DIRECTORS AND COMPANY SECRETARY OF THE COMPANY

Name	Position	Nationality	Address
Mr. Benson Irungu Wairegi	Group Managing Director	Kenyan	P. O. Box 30375 -00100, Nairobi
Dr. James Njuguna Mwangi	Non Executive Director	Kenyan	P. O. Box 74850, Nairobi
Mr. Jimnah Mwangi Mbaru	Non Executive Director	Kenyan	P. O. Box 44995, Nairobi
Mr. John Nicholas Ashford-Hodges	Chairman	British	138 Piccadilly, London W1J 7NR, UK
Mr. Peter Kahara Munga	Non Executive Director	Kenyan	P. O. Box 43704, Nairobi
Mr. Saleem R. Beebeejaun	Non Executive Director	Mauritian	25 Pope Hennessy Street, Port Louis, Mauritius
Mr. Joseph William Muli	Non Executive Director	Kenyan	P. O. Box 52884-00200, Nairobi
Mr. Bocar Elimane Dia	Non Executive Director	Senegalese	8, rue Cannebiere - 75012 Paris, France
Mrs Nancy K. Kiruki	Company Secretary	Kenyan	P. O. Box 30375-00100, Nairobi

CONTACT INFORMATION FOR THE COMPANY

Britak Centre, Junction of Mara and Ragati Roads, Upper Hill
P.O. Box 30375-00100, Nairobi
Tel: (020)2710927 – 38
Mobile: +254 726 610301/ 736 515865
Fax: (020)2717626

Mr. Benson I. Wairegi
Group Managing Director
British-American Investments Company (Kenya) Ltd
Email:bwairegi@british-american.co.ke

Ms. Gladys Karuri
Group Finance Director
British-American Investments Company (Kenya) Ltd
Email: gkaruri@british-american.co.ke

Mrs. Nancy K. Kiruki
Company Secretary & Group Head of Legal & Human Resources
British-American Investments Company (Kenya) Ltd
Email:nkiruki@british-american.co.ke

TRANSACTION ADVISORS AND AGENTS

JOINT LEAD TRANSACTION ADVISORS	JOINT LEAD SPONSORING BROKERS
KPMG Kenya Lonrho House, 16th Floor Standard Street P .O. Box 40612-00100 Nairobi, Kenya Tel: +254 20 2806000 Fax: +254 20 2215695 Contact: John Kiruthu Email: johnkiruthu@kpmg.co.ke and NIC Capital Limited NIC House Masaba Road P. O. Box 44599, 00100 Nairobi, Kenya Tel: +254 20 2888000 / 4948000 Fax: +254 20 2888505 Mobile: +254 711041000 Contact: Wilson I Nyakera Email: wilson.nyakera@nic-capital.com	Standard Investment Bank Limited ICEA Building, 16th Floor Kenyatta Avenue P. O. Box 13714-00800 Nairobi, Kenya Tel: +254 20 2228963/2220225 Fax: +254 20 2240297 Contact: Job Kihumba Email: jkkihumba@sib.co.ke and Kestrel Capital (East Africa) Ltd ICEA Building, 5th Floor Kenyatta Avenue P. O. Box 40005 - 00100 Nairobi, Kenya Tel: +254 20 2251758 Fax: +254 20 2243264 Contact: Andre DeSimone Email: adesimone@africaonline.co.ke

RECEIVING BANKS	LEGAL ADVISOR
Equity Bank Limited Hospital Road, Upper Hill P. O. Box 75104-00200 Nairobi, Kenya Tel: +254 20 2262000/2263000 Contact: Peterson Mwangi Email: Peterson.mwangi@equitybank.co.ke and Standard Chartered Bank Kenya Limited Chiromo, 48 Westlands Road P. O. Box 98683-80100 Nairobi, Kenya Tel: +254 20 329 300 Contact: Shammah Sambili Email: Shammah.sambili@sc.com	Daly & Figgis Advocates Lonrho House, 8th Floor P. O. Box 40034-00100 Nairobi, Kenya Tel: +254 20 310304/5/6 Fax: +254 20 341009 Contact: Hamish Keith Email: KeithH@daly-figgis.co.ke
REPORTING ACCOUNTANT	**REGISTRAR**
PricewaterhouseCoopers The Rahimtulla Tower, Upper Hill P. O. Box 43963-00100 Nairobi, Kenya Tel: +254 20 2855000 Fax: +254 20 2855001 Contact: Kang'e Saiti Email: Kange.saiti@ke.pwc.com	Image Registrars Limited Transnational Plaza, 8th Floor Mama Ngina Street P. O. Box 9287-00100 Nairobi, Kenya Tel: +254 20 22303337/2212065 Fax: +254 20 2212120 Contact: Kipng'etich A.K Bett Email: kakbett@image.co.ke
MEDIA AND COMMUNICATIONS AGENCY	**PUBLIC RELATIONS**
Scanad Kenya Limited The Chancery, Valley Road P. O. Box 34537-00100 Nairobi, Kenya Tel: +254 20 2799000 Fax:+ 254 20 2718772 Contact: Eliud Mutoro Email: Eliud.Mutoro@scanad.com	Hill & Knowlton East Africa Limited Riverside Green Offices, Baobab Suite - 1st Floor, Riverside Drive P. O. Box 34537-00100 Nairobi, Kenya Tel: +254 20 445 4461-8 Fax: +254 20 445 4460 Contact: Michael Otieno Email: Michael.otieno@hillandknowlton.co.ke

OTHER CORPORATE INFORMATION

Company Secretary	Nancy K. Kiruki Company Secretary and Group Head of Legal & Human Resources Britak Centre Junction of Mara and Ragati Roads Upper Hill P.O. Box 30375-00100 Nairobi, Kenya
Share Registrar	Image Registrars Limited Transnational Plaza, 8th Floor Mama Ngina Street P.O. Box 9287-00100 Nairobi, Kenya

<table>
<tr><td>Registered Office</td><td colspan="2">Britak Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O Box 30375-00100
Nairobi, Kenya
Tel: (020)2710927 – 38
Fax: (020)2717626</td></tr>
<tr><td>Financial Calendar</td><td colspan="2">Financial Year – 31st December</td></tr>
<tr><td>Auditors</td><td colspan="2">PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
P.O Box 43963-00100
Nairobi, Kenya</td></tr>
<tr><td rowspan="4">Bankers</td><td>Barclays Bank of Kenya Ltd
Barclays Plaza,
P. O. Box 30120-00100
Nairobi, Kenya</td><td>Citibank
Citi Bank House, UpperHill Road,
P.O. Box 30711-00100
Nairobi, Kenya</td></tr>
<tr><td>Commercial Bank of Africa Ltd
Mara & Ragati Roads, Upper Hill
P. O. Box 30437-00100
Nairobi, Kenya</td><td>Equity Bank Limited
Head Office, Upper Hill,
P.O. Box 75104-00200
Nairobi, Kenya</td></tr>
<tr><td>Kenya Commercial Bank Limited
Moi Avenue
P.O. Box 30081- 00100
Nairobi, Kenya</td><td>National Bank of Kenya Limited
Kisii Branch,
P. O. Box 2435
Kisii, Kenya</td></tr>
<tr><td>Standard Chartered Bank Kenya Limited
Kenyatta Avenue
P.O. Box 98683-80100
Nairobi, Kenya</td><td>Co-operative Bank of Kenya Limited
Cooperative House – Haile Selassie Avenue,
P.O. Box 48231-00100
Nairobi, Kenya.</td></tr>
<tr><td>Actuaries</td><td>QED Actuaries & Consultants (Pty) Limited
Actuarial division of AON Hewitt (South Africa) 28 Fricker Rd
Sandton, Johannesburg GP 2196
South Africa</td><td>Triangle Actuarial Services
6113 Riverside Drive
Wake Forest
North Carolina 27587
USA</td></tr>
<tr><td rowspan="2">Key Advocates in the ordinary course of business</td><td>Daly & Figgis Advocates
8th floor, Lonrho House
Standard Street
P.O. Box 40034-00100
Nairobi, Kenya</td><td>Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Avenue Ngong Rd, Kilimani
P.O. Box 40111-00100
Nairobi, Kenya</td></tr>
<tr><td>Walker Kontos Advocates
Hakika House
Bishops Road
P.O. Box 60680- 00200
Nairobi, Kenya</td><td></td></tr>
<tr><td>Subsidiaries of the Company</td><td colspan="2">The Company's 100% beneficially owned subsidiaries as at the date of publication of this Prospectus comprise of British-American Insurance Company (Kenya) Ltd ('Insurance Company') and Britam Insurance Company (Uganda) Limited ('Britam') both undertaking long term and general insurance business, and British-American Asset Managers Limited ('Asset Management Company') that undertakes fund management business.</td></tr>
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Appendices

Glossary of definitions and abbreviations

Unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column, throughout this Prospectus, its appendices and enclosures. Words in the singular include the plural and vice versa, words signifying one gender include the other gender and references to a person include references to juristic persons and associations of persons:

Subject	Definition
Admission	The admission of the Shares to MIMS becoming effective in accordance with the NSE Rules;
Agent	An agent contracted to sell the products of the Group in return for a commission;
AKI	Association of Kenya Insurers;
Allocation Policy	Allocation of the issued and fully paid Offer Shares of the Company into the 4 categories of investors categories as provided in Section 1.17 of this Prospectus;
Applicant(s)	The proposed Investor or Investors who submit Application Forms for the Offer Shares;
"Application Form" or "Share Application Form"	The Application Form enclosed within this Prospectus;
Application Money	Subscription Price per Offer Share payable by Applicants and in the case of every application with a CDS Account, an additional charge of Kshs 30/= per Application;
Articles	The Articles of Association of British-American Investments Company (Kenya) Limited;
Authorised Cheque	A banker's or Authorised Selling Agents cheque not exceeding one million Kenya Shillings;
Authorised Selling Agent	The parties set out in Appendix 5 (Authorised Selling Agents) of this Prospectus, being parties duly authorised by the Company to receive Application Forms together with the Application Money;
Asset Management Company	British-American Asset Managers Limited;
Bancassurance	Partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products;
BAKHL	British-American Kenya Holdings Limited
Board	The Board of Directors of the Company;
Bps	Represents movement in interest rates whereby 1% change = 100 basis points, and 0.01% = 1 basis point;
Britam	Britam Insurance Company (Uganda) Limited;
BAICL	British-American Investments Company (Kenya) Limited;
Brownfield Operations	Acquisition of an existing operation;
Business Day	Any day other than Saturday, Sunday or official public holiday in the Republic of Kenya;
CAGR	Means compounded annual growth rate;
Capital Markets Legislation	Means (a) the Capital Markets Act, Chapter 485A of the Laws of Kenya and all subsidiary legislation and rules and guidelines promulgated thereunder (b) the rules of the NSE (c) Companies Act and (d) any law applicable to capital markets in Kenya;
CBA	Commercial Bank of Africa;
CDA	Central Depository Agent appointed by the Central Depository and Settlement Corporation Limited, being a) any member of a securities exchange; or (b) a non-bank subsidiary of any bank or financial institution licensed under the Banking Act; or (c) any institutional investor; or (d) any body corporate of a type prescribed by the Authority. CDA is entitled to open a Central Depository Account on behalf of the Applicant;
CDS	The Central Depository System, a versatile computer system that facilitates holding of securities in electronic accounts thereby facilitating faster and easier processing of transactions at the NSE. The Central Depository System was established by Central Depository and Settlement Corporation Limited pursuant to the Central Depositories Act of 2000;

CDS Account	A securities account opened with the Central Depository and Settlement Corporation Limited ("CDSC" or "CDSC Limited") for the purpose of recording the deposit and dealing of immobilized securities;
CDSC	The Central Depository and Settlement Corporation Limited, the Kenyan company that owns and manages the Central Depository System;
CMA	The Capital Markets Authority in Kenya, a statutory body incorporated under the Capital Markets Act and includes anybody replacing it or any of its functions;
Company or Issuer	British-American Investments Company (Kenya) Limited;
Companies Act	The Companies Act (Chapter 486 of the Laws of Kenya);
DA	Deposit Administration business;
Directors or the Board	Directors of the Company whose names appear on page 9 of this Prospectus;
DPS	Dividend per Share;
East African Community Partner States	The East African Community Partner States includes such states as may be deemed to be the members from time to time of the East African Community. Currently the Partner States are Kenya, Uganda, Tanzania, Rwanda and Burundi. Citizens of those States and corporate persons incorporated or registered in those States, in which citizens of those States hold 100% of the beneficial interest should therefore declare their status as local investors and provide supporting evidence;
East African Retail Investors or Local Investors	In relation to an individual, a natural person who is a citizen of an East African Community Partner State; and in relation to a body corporate, means a company incorporated under the Companies Act of Kenya or such similar statute of an East African Community Partner State in which citizens of an East African Community Partner State or the Government of an East African Community Partner State have beneficial interest in one hundred per centum of its ordinary shares for the time being or any other body corporate established or incorporated in an East African Partner State under the provisions of any written law;
EFT	Electronic Funds Transfer;
EPS	Earnings per Share;
Equity Bank	Equity Bank Limited, a bank licensed by the Central Bank of Kenya and in which the Group holds an 11.03% equity stake, and which is one of the two appointed Receiving Banks for the Offer. (Refer to Appendix 10.1 for List of Equity Bank Branches);
Existing Shares	The Issued and fully paid Ordinary Shares of the Company as at the date of this Offer;
Existing Shareholders	All registered shareholders of the Company as at the date of this Offer;
Executive Director	A member of the Board of Directors who is an employee of the Company;
Foreign Investor	Any person who is not a Local Investor or by inference an East African Retail Investor or Qualified Institutional Investor;
Foreseeable Future	Means nine months subsequent to the date of the publication of the prospectus;
GDP	Gross Domestic Product;
GPI	Gross Premium Income;
Greenfield Operations	Setting up of new start-up operations;
Group	The Company and its subsidiaries identified in Section 8.4 (Information on British-American Investment Company (Kenya) Limited and its Subsidiaries);
Housing Finance	Housing Finance Company of Kenya Limited, a mortgage institution licensed by the Central Bank of Kenya in which the Group holds 16.57% equity stake;
IAS or IFRS	International Accounting Standards (also referred to as International Financial Reporting Standards);
ICT	Information and Communication Technology;
IRA	Insurance Regulatory Authority;
Insurance Company	British-American Insurance Company (Kenya) Limited;
Issuer	British-American Investments Company (Kenya) Limited, the Company offering the Offer Shares;

Kcts	Means Kenya Cents and represents one hundredth of the Kenya Shilling;
Kshs	Kenya shillings or the currency of the Republic of Kenya;
Listing	Admission of the Shares to the official list of the Nairobi Stock Exchange;
Micro-insurance	Insurance products and services targeted for low and low to medium income groups and SMEs including those in the informal sector;
MIMS	The Main Investment Market Segment of the NSE;
NAV	Net asset value;
NSE	The Nairobi Stock Exchange Limited;
Non-Executive Director	A member of the Board of Directors of the Company who is not an employee.
Offer	The invitation constituted by this Prospectus to prospective investors to acquire the Offer Shares on the terms and conditions set out in this Prospectus and the Share Application Form;
Offer period	The period when the Offer opens at 9.00 a.m. on 12th July 2011 and closes at 3.00 p.m. on 5th August 2011;
Offer Price or Subscription Price	Kshs 9/= per Offer Share;
"Offer Shares" or "New Shares"	650,000,000 new Shares of Kshs 9/= each, being offered for subscription by the Company to prospective investors on the terms and conditions set out in this Prospectus and in the Application Form;
PE	Price-Earnings Ratio
Par value	Nominal value of the Company's shares, which for the time being is Kshs 0.10/= per share;
Qualified Institutional Investor or 'QII'	Collective investment schemes approved by the CMA under the Capital Markets Act, Investment Banks and Fund Managers licensed by the CMA under the Capital Markets Act (Cap .485A) , schemes registered by the Retirement Benefits Authority under the Retirement Benefits Act (No 3 of 1997) and Insurance companies licensed by the Insurance Regulatory Authority under the Insurance Act (Cap 487 of the Laws of Kenya); Collective Investment Schemes and Pension funds registered under the capital markets and retirement benefit laws of any East African Community Partner State; Institute Nationale De Securite' Social (INSS) of Burundi, National Social Security Fund (NSSF) of Rwanda, National Social Security Fund (NSSF) of Uganda, National Social Security Fund (NSSF) of Tanzania and Parastatals Pension Fund (PPF) of Tanzania;
Receiving Bank	Equity Bank Limited and Standard Chartered Bank Kenya Limited, both public companies incorporated under the Companies Act (Cap. 486) of Kenya and both listed on the MIMS of the NSE and licensed by Central Bank of Kenya as commercial banks;
Registrar	Image Registrars, the share registrar appointed in connection with the Initial Public Offer whose name and address appears on page 10 (Corporate Information) of this Prospectus;
RTGS	Means "Real Time Gross Settlement", a funds transfer system, where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable. Any payments of Kshs 1 million and above can only be processed through RTGS;
Shares	Ordinary shares of Kshs 0.10/= each in the issued share capital of Company;
Shareholders	The members holding shares in the Company;
Standard Chartered Bank Kenya Limited	Standard Chartered Bank Kenya Limited, a bank licensed by the Central Bank of Kenya, and which is one of the two appointed Receiving Banks for the Offer. (Refer to Appendix 10.2 for details on the branches); and
Ushs	Uganda Shilling, the lawful currency of the Republic of Uganda.

1. Key features of the Offer

This Section contains a summary of the Offer of Shares. **You should read this Prospectus in full before deciding to participate in the Offer.**

1.1 The Offer

The Company offers for subscription 650,000,000 Offer Shares with a par value of Kshs 0.10/= each at a subscription price of Kshs 9/= per Offer Share, which represents a discount of 8.7% on fair value.

1.2 Basis for setting Offer Price

The Offer Price has been determined by the Company in consultation with the Joint Lead Transaction Advisors (JLTAs) and the Joint Lead Sponsoring Stockbrokers (JLSBs) on the basis of valuation techniques taking into account the following:

- The country's macro-economic outlook;
- The historical and projected financial performance of the Group;
- Shareholders funds of the Group;
- Actuarial valuation of the Long Term Business of the Group;
- Share prices of comparable companies in Kenya and other developing countries; and
- Pricing of other offers made through the Kenyan capital markets.

1.3 Business Overview

The Group is one of Kenya's leading financial services providers, with operations in life insurance, health insurance and property/casualty insurance products as well as unit trust and asset management services. The Group's insurance business has the largest individual life business in Kenya with a market share of 25.2% in 2009[1]. The Group's core business is carried out through its three wholly beneficially owned subsidiaries namely:

- British-American Insurance Company (Kenya) Limited ("**Insurance Company**");
- British-American Asset Managers Limited ("**Asset Management Company**"); and
- Britam Insurance Company (Uganda) Limited ("**Britam**") which commenced underwriting insurance business in Uganda in 2010.

In addition, the Group holds an 11.03% strategic equity investment in Equity Bank Limited ("**Equity Bank**"), one of the largest and fastest growing banks in Kenya and the region. The Group also holds a 16.57% equity stake in the Housing Finance Company of Kenya Limited ("**Housing Finance**"), one of the largest mortgage finance providers in Eastern Africa.

Insurance Company

The Insurance Company underwrites a full range of life and short-term ("General Insurance") insurance risks. It is the largest underwriter of individual life insurance business and is also the largest underwriter of combined life business (Group Life, Ordinary Life, Unit-Linked Life and Deposit Administration) in Kenya[2] .

The General Insurance Business has grown significantly in recent years, reaching a premium income of Kshs 1,659 million in 2010[3].

Over its long-standing presence in the Kenyan market, the Insurance Company has established a strong, trusted brand in the East African insurance industry. Its success has been based on a number of factors including a large, high calibre sales force (the largest in the Kenyan market); a wide and innovative distribution channel through bancassurance; experienced and dedicated directors and management team; an in-depth knowledge of the Kenyan financial services landscape built up over more than four decades; and a deep understanding of the needs of our customers and business partners.

Leveraging on its expertise and position as a market leader, and the distribution infrastructure of its strategic partners Equity Bank and Housing Finance, the Insurance Company has played a pivotal role in the development of bancassurance and micro-insurance in the Kenyan market and this has supported the growth of its insurance business and the wider market. Through the development of innovative new products distributed through the above network, it seeks to fundamentally redefine the scale and scope of the insurance sector in Kenya and the wider region, and establish micro-insurance as the next major growth segment in the insurance market.

[1] AKI Insurance Industry Annual Report 2009 (this is the most current year for which industry information is available)
[2] Report of the Insurance Regulatory Authority 2009
[3] Annual Report and Financial Statements of the Insurance Company 2010

Asset Management Company

The principal activities of the Asset Management Company are the provision of investment advisory and unit trust and fund management services. From its inception in 2004, Asset Management Company has grown to become one of the market leaders in Kenya, with funds in excess of Kshs 17 billion under management as at 31 December 2010[4]. Asset Management Company had the largest market share (32.7%) of Unit Trusts as at end of December 2010 . In terms of discretionary funds under management it was ranked among the top ten as at 30 June 2010[5].

Strategic Equity Investments

British-American also holds strategic equity investments in Equity Bank and Housing Finance.

Equity Bank is a licensed commercial bank with a significant presence in Kenya and subsidiaries in Uganda and South Sudan. Equity Bank has also obtained a license to commence business in Rwanda. Equity Bank has evolved from a Building Society to one of the largest publicly listed companies in Kenya and has the largest customer base among commercial banks in the country. It is also one of the most highly capitalised banks in the region and has received both local and global accolades for its unique and transformational financial model. The bank is credited with extending banking services to a larger demographic population through its accessible and flexible microfinance service provision.

Housing Finance is one of the largest mortgage finance providers in the East African region. For over forty-five years, Housing Finance has been providing its customers with access to mortgage finance for the acquisition, development and improvement of property. Housing Finance has therefore played a key role in enabling Kenyans to build, buy and own their homes. It seeks to continue along this path with a greater emphasis on low to middle income housing solutions.

Key Investment Highlights

The acquisition of a stake in British-American represents an attractive investment opportunity offering the following:

Profitable and cash generative business

- The Insurance Company is one of the most profitable in terms of underwriting in the Kenyan insurance market[6]; and
- The Group posted the highest net premium income and second highest gross investment return in the life insurance sector in 2009;

Exciting growth opportunities

- Geographical expansion into Tanzania, Rwanda and South Sudan to complement the expansion into Uganda which has already commenced;
- Large-scale expansion of the insurance market in Kenya and the region, leveraging on innovative products such as micro-insurance, distribution channels including bancassurance and well established strategic alliances with Equity Bank and Housing Finance. Combined market penetration for the insurance industry is currently only 2.8% in Kenya. This compares to 12.9% in South Africa, 7.1% in Namibia and 5.2% in Mauritius;
- Potential for significant further organic growth of the existing insurance and investment management business based on existing competencies and drivers;
- Focus on cross-selling of general insurance to life policy holders and between investment and insurance clients;
- Large scale investment in land and property development, including both commercial buildings and affordable housing. This will be allied to the provision of innovative financial products to assist potential homeowners; and
- Collective Investment Schemes - expansion of existing unit trust offerings to include an array of structured funds including international and real estate funds.

Trusted, blue-chip brand, strong heritage and market leader[7]

- Continuous presence in the Kenyan market since 1965;
- Predominantly Kenyan owned;
- Track record of steady growth driven by experienced local management team and directors;
- Strong balance sheet and steady cash flow growth;
- Market leader for Ordinary Life business with 25.2% market share in 2009; and
- A leading provider of composite insurance in the Kenyan market[8].

[4] *Published Accounts and Joint Lead Transaction Advisors Analysis*
[5] *RBA and Management Information*
[6] *Source: AKI Insurance Industry Annual Report 2009*
[7] *Source: AKI Insurance Industry Annual Report 2009*
[8] *Source: Insurance Regulatory Authority Report of 2009*

1.4 Reasons for the Offer

The Board continues to focus very closely on the strategic areas that the Group should pursue in order to optimise shareholder value. In this respect, the Existing Shareholders and the Board have resolved to raise additional capital through an IPO which will facilitate the Group's growth by financing the specific strategies and opportunities identified by management.

The proceeds of the Offer are expected to be utilised as follows:

Table 1: Use of funds from the proceeds

Use of funds	Notes	Amount Kshs million
Regional expansion	1	1,000
Development and expansion of operations in the core Kenyan market	2	1,280
Property development	3	2,500
Redemption of debt	4	750
Expenses of the Offer	5	320
Total		**5,850**

1. Regional Expansion Kshs 1,000 million:

These funds have been allocated for proposed new investments in Tanzania, South Sudan, Rwanda and other regional markets. A small portion of the funding will also be directed towards growing the scale of the Uganda operation. The entry into the regional markets will be carried out either through Greenfield or Brownfield investments. The target markets are characterised by strong economic growth with limited insurance market penetration. As such these markets present significant opportunities for the Group to leverage its expertise developed in the more established and sophisticated Kenyan market to grow a significant presence in these countries.

2. Development and expansion of operations in the core Kenyan market Kshs 1,280 million:

The Group's expansion strategy in its core market will be driven by substantial investment in infrastructure and distribution channels, as well as potential acquisitions. It is intended that investment will be made in expanding the Group's branch network to better serve those parts of the country where the Group is currently under-represented. Branches will be established in most counties as a springboard to serve the county administrations, retail and corporate customers, as well as Small and Medium sized Enterprises (SMEs). Where appropriate, this expansion will be conducted in cooperation with our banking and other strategic partners.

In addition to establishing a physical presence in further counties, investment will be made in back office and information and communication technology systems including wide area networks, electronic document management systems, and computer hardware. Distribution channels will be broadened through the introduction of new and innovative solutions using interactive technologies such as the internet including social networks to expand existing market segments and develop new ones.

The Group intends to increase its holdings in strategic investments as these are important to its distribution processes.

Investment will also be made to facilitate the expansion of the asset management business. The specific areas of investment are expected to include:

- Support for the development and launch of a fund to tap into current strong interest in frontier markets from investors in Europe, Asia, Latin America and North America;
- Support for the implementation of back-office outsourcing services to key clients in Africa, North America and Europe; and
- Product enhancement through review of existing products and launch of new generation products targeted to clients in the counties and Kenyans in the diaspora. Funding will be required for product development, capacity enhancement, branding and marketing.

3. Property Development Kshs 2,500 million:

Part of the funds raised will be used by the Company for development of property investments through a dedicated property division. Building on past property development successes, the Group plans to invest on a much broader scale in land and large scale development, including both commercial buildings and affordable housing, allied with the provision of innovative financial products to assist potential homeowners. Using its expertise, and working with external partners as required, the Group will seek to address the current housing shortage in Kenya especially in the middle income category. This initiative will aim to achieve enhanced returns for shareholders through diversification into another profitable growth sector and will also help to meet an existing social need.

In the medium term, the Group seeks to provide a full range of property services including development, consultancy, property management and valuation. The property division will also complement the planned development of property funds by Asset Management - taking advantage of the new proposed Capital Markets (Real Estate Investment Trusts) Regulations 2009 (that are not yet in force as of the date of this Prospectus).

4. Redemption of Debt Kshs 750 million:

As at 31 December 2010, the Group has borrowings from the Commercial Bank of Africa ("CBA") of Kshs 749.3 million under a loan facility with CBA. This facility attracts interest at CBA's base rate less 2.5% per annum. The Group will seek to continue to utilise available debt facilities in the future, but currently Management considers that greater value will be created if this short term debt is retired and replaced by equity funding.

5. Expenses of the Offer Kshs 320 million:

These are the costs of the Public Offer and are analysed as follows:

Table 2: Expenses of the Offer

Expense	**Total(Kshs)***
Transaction Advisor costs	24,270,000
Sponsoring Broker	6,090,000
Legal costs	9,280,000
Reporting Accountants costs	3,713,272
Selling commission	**87,750,000
CMA approval fees	8,775,000
NSE admission fees	1,500,000
Public Relations costs	67,201,626
Advertising costs including advertising firm's fee*	90,599,360
Printing costs	3,886,000
Registrar fees	1,534,680
Receiving Bank fees	2,436,000
Other consultants fees (Actuaries)	2,995,062
Processing centre costs	9,744,000
Total	**319,775,000**

**These figures are inclusive of VAT (where applicable) and may be subject to change.*

*** Selling Commission of 1.5% is payable to members of the NSE (subject to a minimum of Kshs 100) and 1% for non-NSE selling agents.*

The expenses of the Offer amount to 5.4% of the Offer amount or Kshs 0.49/= per Offer Share.

1.5 Proforma Balance Sheet

The balance sheet for the British-American Group as at 31 December 2010 and the Proforma balance sheet post-Offer assuming full subscription is as follows:

Table 3: Proforma Consolidated Balance Sheet

	Pre-Offer 31-Dec-10 Kshs' 000	Effect of the Offer Kshs' 000	Post-Offer Kshs' 000
Capital employed			
Share capital	150,000	65,000	215,000
Share premium	-	5,465,225	5,465,225
Other reserves	6,127,936	-	6,127,936
Retained earnings	4,092,044	-	4,092,044
Proposed dividends	200,000	-	200,000
Shareholders' funds	**10,569,980**	**5,530,225**	**16,100,205**
Represented by:			
Assets			
Property and equipment	581,420	-	581,420
Intangible assets	91,878	-	91,878
Investment property	1,173,571	-	1,173,571
Available-for-sale assets	5,979,690	-	5,979,690
Investment at fair value through profit and loss			
- quoted ordinary shares	7,535,861	-	7,535,861
- unquoted ordinary shares	50,490	-	50,490
- government securities	361,360	-	361,360
- unit trusts	4,265,612	-	4,265,612
Government securities held to maturity	2,109,214	-	2,109,214
Corporate bond	305,717	-	305,717
Mortgage loans	576,464	-	576,464
Loans to policyholders	303,418	-	303,418
Receivables arising out of reinsurance arrangements	10,081	-	10,081
Receivables arising out of direct insurance arrangements	161,277	-	161,277
Reinsurers' share of insurance liabilities	463,893	-	463,893
Receivables from related local companies	2,696	-	2,696
Deferred acquisition costs	73,461	-	73,461
Deferred tax	11,789	-	11,789
Other receivables	388,547	-	388,547
Deposits with financial institutions	500,102	5,530,225	6,030,327
Cash and bank balances	415,376	-	415,376
Total assets	**25,361,917**	**5,530,225**	**30,892,142**
Liabilities			
Insurance contracts liabilities	6,346,198	-	6,346,198
Payable under deposit administration contracts	3,268,977	-	3,268,977
Liabilities under premium investment contracts	3,183,016	-	3,183,016
Provisions for unearned premium and unexpired risks	715,745	-	715,745
Creditors arising from reinsurance arrangements	60,011	-	60,011
Retirement benefit liability	25,715	-	25,715
Bank loan	749,318	-	749,318
Other payables	418,408	-	418,408
Current income tax payable	23,189	-	23,189
Overdraft	1,360	-	1,360
Total liabilities	**14,791,937**	**-**	**14,791,937**
Net Assets	**10,569,980**	5,530,225	**16,100,205**

1.6 Dividend Policy

The Group has had a consistent policy of paying a dividend each year from the earnings made during the year. The Board of Directors determines the level of the dividend payable after taking into consideration the following factors:

- the minimum statutory capital provisions and solvency margins of the Insurance Act Cap 487 for each of the life and non-life insurance businesses;
- the provisions of the Capital Markets Licensing Requirements General Regulations 2002 for the Asset Management business; and
- the opportunities for profitable investment of retained profits to achieve earnings growth and capital expenditure projections.

Subject to the foregoing, the Company has established a progressive distribution policy based on a sustainable level of dividend payouts. In recommending a dividend, the Board of Directors will take into account the underlying performance of the Group and the earnings growth outlook.

The Directors expect to maintain this dividend policy, subject to future business requirements, and shall continue to review the dividend policy from time to time in light of the prevailing circumstances including the Group's needs to make investment.

The table below illustrates the applicable dividend rates over the last five years:

Table 4: Dividend payout based on par value

Year	Dividend per Share Kshs' 000	Dividend (%) based share on par value
2005	2.00	40%
2006	4.00	80%
2007	4.00	80%
2008	4.00	80%
2009	4.00	80%
2010	6.67	133%

Past dividend payments should not be taken as an indication of future payments. The Directors are not obliged to declare a dividend out of the Company's profits and may appropriate profits to a reserve for any purpose for which such profits may be properly applied.

1.7 Key Offer Statistics

The key Offer statistics are summarised as follows:

Table 5: Key Offer statistics

Details	Statistics
Offer price per Offer Share	Kshs 9/=
Par value of each Share before the share split	Kshs 5/=
Proposed Share split	50:1
Par value of each Offer Share	Kshs 0.10/=
Authorised Share capital of the Company before Offer	Kshs 150,000,000
Authorised Share capital of the Company after the Offer	Kshs 300,000,000
Total number of issued Shares before the share split	30,000,000
Total number of issued Shares after the share split	1,500,000,000
Total number of Offer Shares	650,000,000
Total number of Shares post Offer assuming full subscription	2,150,000,000
Gross proceeds from the Offer	Kshs 5,850,000,000
Estimated net proceeds receivable by the Company	Kshs 5,530,225,000
Net profit for the twelve (12) months ended 31 December 2010	Kshs 2,713,784,000
Comprehensive Income 12 months ended 31 December 2010	Kshs 5,482,882,000
Dividend declared and paid for the twelve (12) months ended 31 December 2010	Kshs 200,000,000
Dividend per Share ("DPS") for the twelve (12) month period ended 31 December 2010 before share split	Kshs 6.67/=
Dividend per Share ("DPS") for the twelve (12) month period ended 31 December 2010 after share split	Kshs 0.13/=
Earnings per Share ("EPS") for the twelve (12) month ended 31 December 2010 before share split	Kshs 90.46/=
Earnings per Share ("EPS") based on Comprehensive Income for the twelve (12) months ended 31 December 2010 before share split	Kshs 182.76/=
Earnings per Share ("EPS") for the twelve (12) month ended 31 December 2010 after share split	Kshs 1.81/=
Earnings per Share ("EPS") based on Comprehensive Income for the twelve (12) month ended 31 December 2010 after share split	Kshs 3.66/=
Net asset value per Share before the Offer for the year ended 31 December 2010	Kshs 352.33/=
Net asset value per Share after the share split and before the Offer for the year ended 31 December 2010	Kshs 7.05/=
Implied dividend yield based on the DPS for the twelve (12) month period ended 31 December 2010	1.48%
Implied PE (historical) based on the EPS for the twelve (12) month period ended 31 December 2010	4.97
Implied PE (historical) based on Comprehensive Income for the twelve (12) month period ended 31 December 2010	2.46
Forecast full year net profits as at 31 December 2011	Kshs 1,028,138,000
Implied Forecast Earnings per Share ("EPS") based on existing and new issued Ordinary Shares for the twelve (12) month period ended 31 December 2011	Kshs 0.48/=
Forecast DPS as at 31 December 2011	Kshs 0.17/=
Implied dividend yield based on the forecast DPS for the twelve (12) month period ended 31 December 2011	1.86%
Implied PE as at 31 December 2011 based on Forecast EPS	13.13
Net asset value per Share after the Offer	Kshs 7.49/=
Dilution (amount and percentage) being the difference between offering price per share and the net book value per Share	Kshs 1.51/= per share or 16.79%
Amount and percentage of immediate dilution if existing shareholders do not subscribe the Offer	30.23%
Price to Book Value as at 31 December 2010	1.28
Price to Book Value after the Offer	1.20

1.8 Timetable for the Offer

Table 6: Timetable for the Offer Shares

Activities Completion details	Timing	Date
1. Offer Opening and launch	T+0	12 July 2011
2. Offer Closing and last date and time for acceptance and payment for New Shares	T+24	5 August 2011
3. Allotment and announcement of the Offer results*	T+42	23 August 2011
4. Final date for payment for Shares to Receiving Bank for applications against irrevocable bank guarantees	T+44	25 August 2011
5. Commencement of electronic crediting of CDS accounts and issuance of share certificates to Authorised Selling Agents	T+45	26 August 2011
6. Commencement of payment of Refunds through Electronic Funds Transfer or Refund Cheques	T+45	26 August 2011
7. Deadline for crediting of the CDS Accounts	T+50	31 August 2011
8. Listing and Commencement of Trading (two weeks after allotment) at the NSE	T+52	2 September 2011

**The dates indicated above may be subject to change with the prior approval of the CMA. Any such amendments will be published in the press.*

The Offer period may be extended or shortened subject to approval by the CMA. Any such ammendment will be announced to the public by way of an advertisement in two national newspapers.

1.9 Eligibility

The offer consists of four (4) categories as follows:

i) Employees, Agents and Individual Life Policy Holders

Employee: Any person who is an employee of the Group during the Offer period.

Agent: Any person who is contracted as an agent to sell the Products of the Group during the Offer period.

Individual life policy holder: Means any person who holds an individual life policy with the Insurance Company.

ii) East Africa Retail Investors

In relation to an individual, means a natural person who is a citizen of an East African Community Partner State; and in relation to a body corporate, means a company incorporated under the Companies Act of Kenya or such similar statute of an East African Community Partner State in which citizens of an East African Community Partner State or the Government of an East African Community Partner State have beneficial interest in one hundred per centum of its ordinary shares for the time being or any other body corporate established or incorporated in an East African Partner State under the provisions of any written law.

iii) Qualified Institutional Investors

Means Collective Investment Schemes licensed by the Capital Markets Authority under the Capital Markets Act (Cap. 485A), Investment Banks licensed by the Capital Markets Authority under the Capital Markets Act, schemes licensed by the Retirement Benefits Authority under the Retirement Benefits Act (No 3 of 1997) and Insurance Companies licensed by the Commissioner of Insurance under the Insurance Act (Cap 487) of the Laws of Kenya; Collective Investment Schemes and Pension Funds registered under the Capital Markets Authorities and Retirement Benefit Authorities of East African Community Partner States; Institute Nationale De Securite' Social (INSS) of Burundi, National Social Security Fund (NSSF) of Rwanda, National Social Security Fund (NSSF) of Uganda, National Social Security Fund (NSSF) of Tanzania and Parastatals Pension Fund (PPF) of Tanzania.

iv) Foreign Investors

Foreign Investors means any person who is not an East African Retail Investor or Qualified Institutional Investor.

1.10 Minimum Aggregate Subscription

The Share Offer is subject to a minimum aggregate subscription of fifty percent (50%) of the entire Offer, that is, Kshs 2.925 billion or 325,000,000 Offer Shares as well as receipt of not less than 1,000 valid Applications for the Offer Shares. However, in the event that this minimum amount is not attained, approval may be sought from the Capital Markets Authority to proceed with the listing of the existing Shares and any Offer Shares that are issued under this Offer.

1.11 Lock-in Period for Existing Shareholders

The Existing Shareholders have undertaken under the terms of Lock- In Agreements executed with the Company (which agreements are Documents available for inspection under Section 14.23 herein) not to reduce their combined shareholding below 51% of the Company's paid up capital in the two years following the date of listing of the Shares on the NSE. As indicated below the existing Shareholders cannot reduce or have their individual shareholding reduced by more than the amounts set out below during the aforesaid two year period.

Table 7: Lock-in for Existing Shareholders

Name of shareholders	No. of shares in company	Minimum shareholding in 2 years (lock in)	Maximum potential disposal
BAKHL	452,504,000	330,780,424	121,723,576
Equity Holdings Ltd	405,000,000	341,100,000	63,900,000
Jimnah Mbaru	300,000,000	219,300,000	80,700,000
Peter Munga	75,000,000	75,000,000	-
Filimbi Ltd	90,000,000	-	90,000,000
James Mwangi	75,000,000	54,825,000	20,175,000
Benson Wairegi	99,496,000	72,731,576	26,764,424
Simon Wairegi	3,000,000	2,193,000	807,000
Total	**1,500,000,000**	**1,095,930,000**	**404,070,000**
Percentage	**100%**	73%	27%

1.12 Underwriting

The Offer is not underwritten.

1.13 Minimum and Maximum Application Size

There is no maximum Application size by any one Applicant. The minimum Application sizes are as follows:

Table 8: Minimum Application size and multiples thereafter

Investor Category	**Minimum Subscription Size**	**Thereafter in multiples**
Employees, Agents and Individual Life Policy Holders	2,000	100
East African Retail Investors	2,000	100
Qualified Institutional Investors	10,000	1,000
Foreign Investors	10,000	1,000

1.14 Status of Applicant

Every Applicant is required to complete the declaration on the Application Form declaring, as the case may be, the Applicant's status as an Employee or Agent or an Individual Life Policy Holder, an East African Retail investor, a Qualified Institutional Investor or a Foreign Investor with supporting documentation evidencing such status.

Whereas the Regulations as stated above include citizens of East African Community Partner States as local investors, this Prospectus and the Share Application Form may not be used for, or in connection with any offer or solicitation by anyone in any East African Community Partner States where such offer or solicitation is not authorised or is otherwise unlawful in the said jurisdictions.

The Offer to Foreign Investors may be affected by laws and regulatory requirements of the relevant jurisdictions in which the Foreign Investors reside. Any Foreign Investors wishing to apply for the Offer Shares must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities are adhered to, and must pay any issue, transfer or other taxes due in such territory.

Foreign Investors are advised to consult their own professional advisors as to whether they require any governmental or other consents or need to observe any applicable legal, tax or regulatory requirements to enable them to apply for and purchase the Offer Shares.

Regulation 6(9A) and 6(9B) of the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002 provides that:

> "In developing an allocation policy, every issuer or offeror shall ensure that such policy reserves at least 40% of the ordinary shares that are the subject of an initial public offering and subsequent listing for investment by local investors (including QIIs) provided always that where the per centum reserved for these categories is not subscribed for in full by local investors, the issuer or offeror may, with prior written approval of the Authority, allocate the shares so remaining to foreign investors."

Accordingly, at least 40% of the Offer Shares will be reserved for allocation to Local Investors in accordance with the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002. If at least 40% of the Offer Shares are not subscribed for in full by Local Investors, the Company may with the prior written approval of the CMA, allot the remaining Offer shares to Foreign Investors.

Regulation 4(1) of the Capital Markets (Foreign Investors) Regulations, 2002 imposes a duty on a listed company to maintain a register of shareholders at all times with an indication of whether they are Foreign Investors, individual Local Investors or QII's.

Where applicable, Certificates for shares owned by Foreign Investors must be deposited with an authorised depository in Kenya in accordance with the Regulations. Any Foreign Investor who wishes to apply for Offer Shares should obtain guidance from an Authorised Selling Agent before completing and lodging an Application Form.

In light of the above, the Company reserves the right to treat as invalid any Application or purported Application to purchase the Offer Shares which appears to the Company or its agents to have been executed, effected, or dispatched in a manner which may involve a breach of any applicable legal or regulatory requirement of any jurisdiction outside Kenya. Notice of rejection will be provided to such Applicant.

1.15 Issue of Shares

All Offer Shares will be issued to successful Applicants at the expense of the Company. As the Offer Shares will be listed on the Nairobi Stock Exchange, no stamp, registration or similar duties or taxes are payable in Kenya in connection with the issue and transfer of the Offer Shares under current legislation. Other costs of subsequent transactions will be borne by the relevant shareholders.

All Offer Shares issued in terms of this Prospectus will be allotted and issued subject to the provisions of the Memorandum and Articles of Association of the Company and will rank pari passu in all respects with the Existing Shares of the Company. Issued Offer Shares will be credited to the CDS accounts of successful Applicants starting on 26 August 2011 and in any event by 31 August 2011.

Applicants who choose to have share certificates issued to them and delivered to their respective Authorised Selling Agents may collect such certificates from such Authorised Selling Agent from 26 August 2011. In the event that Applicants indicate that share certificates may be dispatched to them by post they will be sent by registered mail to the Applicant the address provided in the Application Form by 31 August 2011 at the Applicant's sole risk of loss or damage to the share certificates.

The Share Registrar and the Issuer accept no liability for any share certificates that may be lost in the post. No request for the issue of replacement certificates will be considered before 31 October 2011. Thereafter, only requests made in writing and accompanied by an indemnity form available from the Share Registrar will be considered, subject to the provisions of the Articles of Association of the Company.

1.16 Authorised Selling Agents

The Company has appointed Authorised Selling Agents to this Offer, all of whom have signed Agency Agreements with the Company. These Agency Agreements set out various terms and conditions that each Authorised Selling Agent is required to comply with.

The Authorised Selling Agents are members of the NSE and licensed by the CMA or Central Depository Agents approved by the CDSC. The names of the members of the NSE appointed as Authorised Selling Agents are set out in Appendix 5 to this Prospectus. The Authorised Selling Agents will sell the Offer Shares through their branches and such other outlets as the Company may determine.

1.17 Allocation Policy

i) The allocation policy has been designed to comply with the requirements of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 with regard to the share ownership structure of the Company to ensure that at least 25% of the Shares are held by not less than 1,000 Shareholders, and that at least 40% of the Offer Shares are reserved for local investors.

ii) The Company wishes to achieve a balanced distribution of the Offer Shares between institutions, companies and individual members of the public in addition to ensuring that Employees, Agents and Individual Life Policy Holders of the Group have the opportunity to participate in the Offer. In this regard, the Company has determined that the Offer Shares shall be allocated in accordance with the following allocation policy:

Category of Application	Number of Offer Shares	% of Offer Shares
Employees, Agents and Individual Life Policy Holders	19,500,000	3%
East African Retail Investors	195,000,000	30%
Qualified Institutional Investors	240,500,000	37%
Foreign Investors	195,000,000	30%
Total	**650,000,000**	**100%**

iii) In the event that the total number of Offer Shares applied for by Applicants in any of the categories equates to the respective total number of Offer Shares reserved for that category, all valid Applications will be allocated in full as per the number of Offer Shares applied for by such Applicants.

iv) In the event that the total number of Offer Shares applied for by Applicants in a particular category is below the total number of Offer Shares reserved for that category, the following will apply:

(a) All valid Applications received from Applicants will be allocated in full as per the number of Offer Shares applied for taking into account the minimum number of Offer Shares that may be applied for by any Applicant in each category.

(b) The balance of Offer Shares will be available for allocation to Applicants in the other categories which are over-subscribed, and such excess Offer Shares will be aggregated and the category of excess Offer Shares available will be allocated pro-rata to the excess Offer Shares applied for in the other categories.

v) Applicants in any over-subscribed category may receive fewer Offer Shares than the number applied for as follows:

(a) Applicants in the Employee, Agents and Individual Life Policy Holders category and the East African Retail Investor category will be allocated the number of shares applied for upto 2,000 Offer Shares in the first instance and thereafter in multiples of 100 Offer Shares on a pro rata basis, rounded down to the nearest 100 Offer Shares, until all Offer Shares in the categories, plus remaining unallocated balances from the other categories, if any, are fully exhausted.

(b) Applicants in other categories will be allocated 10,000 Offer Shares in the first instance and thereafter in multiples of 1,000 Offer Shares on a pro rata basis, rounded down to the nearest 1,000 Offer Shares, until all Offer Shares in the category, plus remaining unallocated balances from the other categories, if any, are fully exhausted. The Issuer shall not increase the amount of shares to be offered.

vi) In the event that the results of the subscription make the above Allocation policy impractical then an amendment to the allocation policy shall be made with the approval of the CMA and such amendment will be announced through a notice in at least two daily newspapers with national circulation in Kenya within twenty four hours of the grant of such approval.

vii) In the event of any doubt whatsoever as to the eligibility of an Applicant in a particular category, the decision of the Company will be final.

viii) The Company will announce the manner in which the Offer Shares have been allocated to applicants in the above four categories ('the Allocation Results') on the date set out in the section of the Prospectus titled "Timetable for the Offer" for Announcement of Allocation Results. The announcement will be published in at least two newspapers with national circulation in Kenya.

1.18 Governing Law

This Prospectus and any contract resulting from the acceptance of an application to purchase the Offer Shares shall be governed by and construed in accordance with the Laws of Kenya and it shall be a term of each such contract that the parties thereto and all other interested parties shall submit to the exclusive jurisdiction of the Courts of Kenya.

1.19 Terms and Conditions of Application of Offer Shares

a) Application Procedure

i. Copies of this Prospectus, with the accompanying Application Form, may be obtained from the Authorised Selling Agents referred to in Appendix 5 of this Prospectus. In the case of Employees, Agents and Individual Life Policy Holders, the Application Form may be obtained from the office of the Company Secretary or from the Joint Lead Transaction Advisors.

ii. Persons wishing to apply for Offer Shares in the Company must complete the appropriate Application Form and, in the case of an Applicant not having a CDS account who wishes to open one, a CDS Securities Account Opening Form (Form CDS 1) which can be obtained from the Authorised Selling Agents or CDAs. The Application Form must be completed in accordance with the provisions contained in this Prospectus and the instructions set out on the Application Form and physically returned to one of the Authorised Selling Agents listed in Appendix 5 of this Prospectus. In the event of a rejection, for any of the reasons set out in the "Rejections Policy" below, any such Application Forms shall be returned to the Authorised Selling Agent to which the Application Form was submitted for collection by the relevant Applicant. The return or refund of any payment received in respect of any rejected Application will be effected by way of EFT provided that EFT details have been provided and are accurate. Otherwise a refund cheque will be issued and delivered to the Authorised Selling Agent to which the Application Form was submitted for collection by the relevant Applicant.

iii. Save in the case of negligence or willful default on the part of the Company, its Advisors or any of the Authorised Selling Agents, neither the Company, nor any of the Advisors nor any of the Authorised Selling Agents shall be under any liability whatsoever should an Application Form not be received by the Closing Date.

iv. An Applicant shall qualify to apply for Offer Shares in one category only.

v. Joint Applications may only be made by individuals (not corporations) and in all cases Joint Applicants submitting an Application must fall within the same Allocation category. Joint Applications must not be used to defeat the allocation policy. For purposes of the minimum initial allocation under the allocation policy, the Company reserves the right to consider each Joint Application as an Application by each Joint Applicant alone, namely two separate Applications, jointly for the number of Offer Shares applied for.

vi. Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any Application.

vii. All alterations on the Application Form, other than the deletion of alternatives, must be authenticated by the full signature of the Applicant.

viii. The Receiving Bank through its branches, a list of which is set out in Appendix 10, will receive payments in respect of the Applications.

ix. Applications sent by facsimile or by any means other than the methods stipulated in this Prospectus will not be accepted.

x. Applications once given are irrevocable and may not be withdrawn once submitted.

xi. By signing an Application Form, each Applicant:

   a) agrees that having had the opportunity to read this Prospectus, it/he shall be deemed to have had notice of all information and representations concerning the Company contained herein;

   b) confirms that in making such Application it is not relying on any information or representation in relation to the Company other than those contained in this Prospectus and accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof shall have any liability for any other information or representation;

   c) accepts to receive any communication from the Company, including notices for meetings, through electronic means including but not limited to email or placement of such notices on the Company's web-site, as well as notification through the mass media;

   d) represents and warrants that, except in cases where the Applicant is licensed to apply for and hold shares for other persons, the Applicant applies for the Offer Shares on his/its own account, will be the beneficial owner of the Offer Shares, has not represented himself/itself as a different person in any other application nor applied for Offer Shares under a different name, and is not applying for the Offer Shares on the instructions of or on behalf of any other person and has not instructed any other person to apply for Offer Shares as his nominee;

   e) being an Applicant who is authorised to apply for Offer Shares on behalf of other persons, represents and warrants that it/he is not making multiple applications for itself or any other person, is not applying as nominee of any person whom it knows to have applied under any other name or through any other nominee or person or for any beneficial owner more than once;

   f) acknowledges that the Company and/or the Joint Lead Transaction Advisors reserves the right to reject any Application found to be in contravention of subparagraphs (b), (d) and (e) above.

xii. Applications Forms from Employees, Agents and Individual Life Policy Holders together with accompanying payment (in the manner set out in sub-para b below) must be delivered or made to the Company Secretary for clearance by the Offer closing date prescribed in the "Timetable of the Offer". The forms will subsequently be forwarded to the Joint Lead Transaction Advisors.

xiii. Applicants may elect to receive Offer Shares in material form (share certificates) or in immobilized form by way of their CDS Accounts being credited with the number of Offer Shares allocated and issued to them. In this regard, Applicants are advised to indicate the preferred method of receiving the Offer Shares by completing the appropriate box in the Application Form.

xiv. The Share Registrar will dispatch paper share certificates to Applicants who elect to have share certificates issued to them for the Offer Shares by post to the postal addresses set out in the Application Form, at the Applicant's risk of loss or damage of the certificate, on the date indicated for this purpose in section 1.8 (Timetable for the Offer).

xv. By signing an Application Form, an Applicant agrees to the allotment and issue of such number of Offer Shares (not exceeding the number applied for) as shall be allotted and issued to the Applicant upon the terms and conditions of the Prospectus and subject to the Company's Memorandum and Articles of Association, and agrees that the Company may enter the Applicant's name in the register of members of the Company as holder of such Offer Shares.

b) Application Money

i. A prospective investor (other than a Qualified Institutional Investor, Custodian or Bank) wishing to apply for the Offer Shares must duly complete and sign the accompanying Application Form and return the same in its entirety accompanied by payment by way of a bankers or Authorised Selling Agents cheque (an "Authorised Cheque") (as may be applicable) for the Offer Shares applied for so that it is received by an Authorised Selling Agent or the Receiving Bank by the Closing Date. For prospective investors (other than a Qualified Institutional Investor) applying for Offer Shares who wish to make payment after the allotment of Offer Shares, payment must be secured by an irrevocable on demand bank guarantee from a licensed commercial bank, in the format contained in Appendix 6 for the value of the Offer Shares applied for, which bank guarantee must be valid until and expire no earlier than 8 September 2011.

Payment for the Offer Shares allotted will be made as per the section titled "Timetable for the Offer" following the Company notifying the Applicant of its proposed allocation of Offer Shares. If such payment is not made, then the Company shall reserve the right to call in the Bank Guarantee. Offer Shares shall only be issued to Applicants after payment in full for the Offer Shares (in cleared funds net of any bank transfer charges and inclusive of any CDS expenses) has been received by the Company.

ii. Authorised Cheque i.e. bankers cheques or cheques of Authorized Selling Agents will be accepted for Applications below Kshs 1 million, payments for Applications amounting to Kshs 1 million and above must be made by RTGS.

iii. In accordance with the Central Depository (Regulation of Central Depositories) Regulations, 2004, the cost of postage of the statement issued on each CDS account upon issue of the Offer Shares will be borne by the respective Applicant at the rate of Kshs 30.00 per statement ('CDS expenses'). This cost should be included in payment for the Offer Shares is made.

iv. Authorised Cheques must be in Kenya Shillings and should be drawn on a bank licensed by the Central Bank of Kenya, which is a member of the Kenya Bankers Association Clearing House. An Authorised Selling Agent's cheque must be made payable to the preferred Authorised Selling Agent/broker who will then make payment on behalf of the applicant. Applicants who prefer to make payment directly to the Company must use a Banker's Cheque which should be made payable to "British American IPO", and be crossed "A/C payee only". At the back side of the cheque, the following details should be written:

- Name and Identification/Passport Number
- Application form Serial Number
- Mobile phone number
- Applicant's signature

Payment for Offer Shares in excess of Kshs 1,000,000 must be effected by RTGS to the Receiving Bank provided that the Applicant completes the relevant section of the Application Form, EFT and RTGS payments should be made to either Equity Bank Limited, SWIFT Code: EQBLKENA, Account No. 0180297461766, Account Name: "British American IPO", with Reference: Application Form Number [XX] **OR** Standard Chartered Bank Kenya Limited, SWIFT Code: SCBLKENXXXX, Account No. 0106020676200, Account Name: "British American IPO", with Reference: Application Form Number [XX].

v. For Qualified Institutional Investors, Custodians and Banks applying for Offer Shares who wish to make payment after the allotment of Offer Shares, payment of the amount payable on Offer Shares must be secured by either: (i) an irrevocable on demand bank guarantee from a licensed commercial bank, in the format contained in Appendix 6 for the value of Offer Shares applied for, which bank guarantee must be valid until and expire no earlier than 8 September 2011; or (ii) may at the sole discretion of the Company upon application being made by the prospective investor by an irrevocable Letter of Undertaking, in the format contained in Appendix 7 for the value of Offer Shares applied for. Payment for the Offer Shares allotted will be made as per the section titled "Timetable for the Offer" following the Company notifying the Applicant of its proposed allocation of Offer Shares. If such payment is not made, then the Company shall reserve the right to call in the Bank Guarantee or as the case may be otherwise rely on the Letter of Undertaking. Offer Shares shall only be issued to Applicants after payment in full for the Offer Shares (in cleared funds net of any bank transfer charges and inclusive of any CDS expenses) has been received by the Company.

vi. The Authorised Selling Agent receiving an Application Form will check that the Applicant has filled in the Application Form properly, tear off from the Application Form the Acknowledgment Section, sign and stamp the same and return it to the Applicant.

vii. Cash or personal cheques made directly payable to the Receiving Bank will not be accepted (other than if received in its capacity as Authorised Selling Agent).

viii. The Authorised Selling Agents and the Receiving Bank are entitled to ask for sufficient identification to verify that the person(s) making the Application has authority or capacity to duly complete and sign the Application Form. The Authorised Selling Agents are therefore expected to undertake all "Know your Client" procedures and activities on nominee accounts as required by law. The Joint Lead Transaction Advisors and the Company have the right to demand and be provided with the details of the nominee accounts held by the Authorised Selling Agents to ascertain the eligibility of any Application by nominees. In default, the Company may at its sole discretion treat such Applications as invalid.

ix. The Company reserves the right to present all cheques for payment on receipt, to reject any Application not in all respects duly completed, and to accept or reject or scale down any other application in whole or in part. Scaling down will apply only if there is an over-subscription.

x. Every Applicant is required to tick the appropriate box on the Application Form as regards his/her residency and or citizenship/other status, where applicable.

xi. In the case of Employees, Agents and Individual Life Policy Holders, the Application Forms together with the accompanying payment must be delivered to the Company Secretary for clearance by the closing of the Offer prescribed in the Timetable. The forms and payment will subsequently be forwarded to the Joint Lead Transaction Advisors.

xii. No interest will be paid on monies received in respect of Applications for Offer Shares, nor will interest be paid on any amounts refunded or deposited at the time of Application.

xiii. Commission at the specified rate of 1.5% of the Offer price of the Offer Shares allocated per Application (subject to a minimum of Kshs.100 per successful Application) will be paid to Authorised Selling Agents that are members of the NSE on all allocations made in respect of Application Forms received for the Offer Shares and which bear the stamp of the Authorised Selling Agent. No commission will be paid on Application Forms which bear more than one or no Authorised Agent's stamp or which are rejected. Commission of 1.0% of the Offer Price of Offer Shares allocated will be paid to any Authorised Selling Agent which is not a member of the NSE.

xiv. All transactions relating to the Offer shall be transacted in Kenya Shillings.

c) CDS Account

i. Whilst it is not mandatory for an Applicant to open a CDS Account, the effect of not doing so is that the Offer Shares issued to such an Applicant may not be traded on the NSE until such time as a CDS Account has been opened in the name of the Applicant and the Offer Shares have been immobilized and credited to the CDS Account

ii. To open a CDS Account, individual Applicants will be required to complete a CDS Securities Account Opening Form (CDS 1 form) available from any Authorised Selling Agent listed in Appendix 5 (licensed investment banks and licensed stockbrokers only) or CDAs listed in Appendix 5 of this Prospectus.

iii. For Applicants who elect to receive their Offer Shares in electronic form by way of crediting their CDS Accounts with the issued number of Offer Shares, the Company will authorise the CDSC to credit their respective CDS Accounts with the number of Offer Shares issued to them within the dates set out in section 1.8 "Timetable for the Offer" of this Prospectus.

iv. In the case of Joint Applications, the Joint Applicants should have a CDS account in the joint name of the Joint Applicants, in default of which a share certificate shall be issued in the names of the Joint Applicants.

v. Upon the Applicants CDS Accounts being opened and being credited with their issued Offer Shares they shall be able to trade their Offer Shares on the NSE.

vi. On acceptance of any Application, the Directors will, as soon as possible after the fulfilment of the conditions relating to Applications and completion of Application Forms, register the allocated Offer Shares in the name of the Applicant concerned.

vii. Applicants who fail to provide accurate CDS account details will automatically receive their Offer Shares in certificate form by post at the postal address provided in the Application Form at their sole risk of any loss or damage thereto.

viii. Existing Shareholders may, through the Registrar, opt to have their share certificates immobilised. Existing Shareholders will be required to furnish the Registrar with details of their CDS Account, if they have one, or open a CDS Account in the manner described hereinabove and furnish the details of the CDS Account to the Registrar.

d) Loan Facilities

i. The decision on whether to take a loan or other form of financing offered by any commercial bank or third party financier in order to make payment for the Offer Shares applied for is the decision of each Applicant and the Company will not be in any way liable for the consequences of such a decision for the Applicant or the financier.

ii. Where Applicants with CDS Accounts have obtained finance from a bank which requires a pledge over the Offer Shares as collateral, the following procedure must be followed:

   a) The Applicant and or financing bank must complete a CDS Securities Pledge Form (CDS 5 form) and record the pledge details on the Application Form. The Securities Pledge Form shall be submitted to the Authorised Selling Agent who will in turn submit it to CDSC. The Application Form together with payment will then be forwarded to the Receiving Bank/Application Processing Agent by the Authorised Selling Agent.

   b) Upon completion of any additional documentation prescribed by CDSC, all pledges will be effected through entries in the Central Depository maintained by CDSC. The pledging of such Offer Shares will at all times be subject to Clause 11 of the Operational Procedures of the CDSC, 2007.

e) Rejections Policy

i. The Authorised Selling Agents will present all Authorised Cheques for payment to the Receiving Bank on behalf of the Company. Delivery of an Application Form accompanied with payment by way of an Authorised Cheque will constitute a warranty that the cheque will be honoured on first presentation. If any Authorised Cheque accompanying an Application is not paid on first presentation and the Application has already been accepted in whole or part, such acceptance may at the option of the Company be rescinded and the Offer Shares comprised therein may be transferred to another person upon such terms and conditions as the Company deems fit. The entire proceeds of such transfer shall be retained for the account of the Company, as the case may be, and the original Applicant shall be responsible for any losses and all costs incurred.

ii. The Company shall not be under any liability whatsoever should any Application Form fail to be received by a Receiving Bank or by any Authorised Selling Agent by the Closing Date. In this regard, such Application Forms and accompanying cheques shall be returned to the Authorised Selling Agent or Receiving Bank where the Application Form was submitted, for collection by the applicable Applicants.

iii. Applications can be rejected if full value has not been received. It is not sufficient to merely present a cheque for the full amount payable.

iv. Applications will also be rejected for the following reasons:

   a) Missing or illegible name of primary or joint Applicant in any Application Form;

   b) Missing or illegible or non verification (where required) of status of Applicant;

   c) Missing or illegible identification number, including corporation registration number, or in the case of Kenyan residents, missing or illegible alien registration number;

   d) Missing or illegible address (either postal or physical street address);

   e) Missing residence and citizenship indicators (for primary Applicant in the case of an individual) or missing residency for tax purposes for corporate investors;

   f) Missing or incomplete CDS 5 Form in the case of financed applications where the Offer Shares are to be taken as collateral;

   g) Missing or incomplete bank account details of the Applicant;

   h) Insufficient documentation is forwarded;

   i) In the case of nominee applications, incomplete information or lack of declaration from the agent submitting the Application;

   j) Missing or inappropriately signed Application Form including:

i) Primary signature missing from Signature Box 1;
ii) Joint signature missing from Signature Box 2 (if applicable);
iii) Two directors or a director and company secretary not having signed in the case of a corporate application;

k) Number of Offer Shares does not comply with the rules as set out in Prospectus i.e:
   i) Fewer than 2,000 Offer Shares are applied for in the case of Employees, Agents and Individual Life Policy Holders;
   ii) Applications for Offer Shares not in multiples of 100, in the case of Employees, Agents and Individual Life Policy Holders;
   iii) Fewer than 2,000 Offer Shares are applied for in the case of East African retail investors;
   iv) Offer Shares applied for not in multiples of 100, in the case of East African retail investors;
   v) Fewer than 10,000 Offer Shares are applied for in the case of Qualified Institutional Investors;
   vi) Offer Shares applied for not in multiples of 1,000 in the case of Qualified Institutional Investors;
   vii) Fewer than 10,000 Offer Shares are applied for in the case of Foreign Investors;
   viii) Offer Shares applied for not in multiples of 1,000, in the case of Foreign Investors;

l) Payment accompanying the Application for the Offer Shares applied for is less than the required amount;

m) Authorised Cheque has unauthenticated alterations;

n) Authorised Cheque is not signed, or dated or if the amount in figures and words do not tally;

o) Sums paid for Offer Shares in respect of any rejected Applications shall be returned at the time set out for refunds specified in Section 1.8 of this Prospectus.

f) Refunds Policy

Applicant/s monies will be refunded through Electronic Funds Transfer (EFT) and will apply as follows:

i. Refunds will only apply where funds for the Application are not pledged through guarantees or letters of undertaking on behalf of the Applicant.

ii. No interest will be paid on any Application Monies received in respect of applications for Offer Shares, nor will interest be paid on amounts refunded to the Applicant. Interest, if any, earned on Application Monies is payable to the CMA Investor Compensation Fund in accordance with CMA regulations. Refunds in respect of unsuccessful Applications (if any) shall be made by the Company in the form of EFT (where an Applicant has provided accurate EFT details including the name of the relevant bank, branch and account number). If bank details are not provided in sufficient detail, a refund cheque/s in the name of the Applicant/s will be delivered through the Authorised Selling Agent through whom the Application was submitted.

iii. EFTs will only be credited to accounts held at commercial banks. In the event that an EFT fails, a refund cheque will be made in the names of the Applicant/s and delivered through the Authorised Selling Agent through whom the Application Form was submitted.

iv. In the case of Applicants whose Offer Shares are pledged, refund money/monies in the name of the Applicant will be delivered to the financier indicated on the Application Form.

v. Refunds to Foreign Investors and East African investors outside Kenya will be effected through EFT in Kenya Shillings (net of transaction charges) to the Applicant's bank account provided on the Application Form. Any exchange rate differences will be for the account of the Applicant.

g) Announcement of Allocation

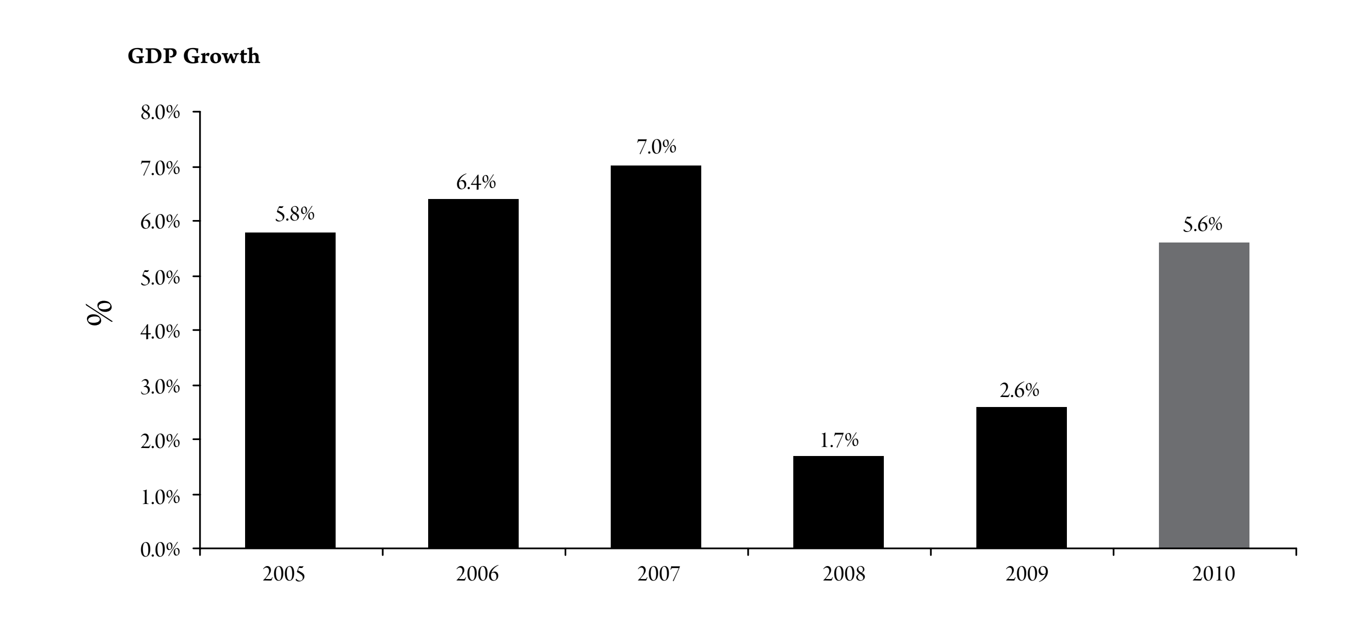
The results of the Offer and allocation of Offer Shares shall be announced by way of advertisement in at least two daily newspapers of national circulation in accordance with the transaction timetable set out in Section 1.8 of this prospectus.

2. Economic Overview

The recent economic Survey released by Kenya National Bureau of Statistics (KNBS) indicates that Gross Domestic Product (GDP) growth rate expanded by 5.6% in 2010 compared to a growth rate of 2.6% registered in 2009. Agriculture, Wholesale & Retail, Financial Intermediation, Tourism, Transport and Communication and Manufacturing grew by 6.3%, 7.8%, 8.8%, 17.9%, 6.9% and 4.4% respectively. Overall, the robust performance in GDP in 2010 was attributed to improved weather conditions, low inflationary pressure, low interest rate environment and increased lending to private sector.

The Historical GDP growth rate is summarised in the chart below.

GDP growth rate: 2005 - 2010



Source: Economic Survey 2010 and 2011

The outlook for Kenya's economic growth for 2011 and beyond remains positive. Attainment of targeted economic growth is however greatly dependent on the successful implementation of the New Constitutional order and establishment and sustainment of a stable political climate. Infrastructure projects are underway and advancements in the financial and ICT sectors will provide strong support to economic growth. However, inadequate rainfall, the prevailing high international oil prices, rising global food prices and increased volatility in the exchange rate may upset the growth momentum if not resolved early. Overall the Kenyan economy is forecast to grow by 3.5% to 4.5% in 2011[9].

Regionally, Kenya continues to be the primary communication and financial hub of East Africa. It enjoys the region's best transportation linkages, communications infrastructure, and trained personnel, although these advantages are less prominent than in past years. A wide range of foreign firms maintain regional branch or representative offices in Kenya. In March 1996, the Presidents of Kenya, Tanzania, and Uganda re-established the East African Cooperation (EAC). The EAC's objectives include harmonising tariffs and customs regimes, free movement of people, and improving regional infrastructures. In March 2004, the three East African countries signed a Customs Union Agreement.

[9] *Source: Kenya National Bureau of Statistics 2011 Estimates*

The sectoral contribution to GDP growth is shown in the table below.

Table 9: Sectoral contribution to GDP growth

	Share in Real GDP in 2010 (%)	2010	2009	2008	2007	2006
Agriculture, forestry & fishing	22.0	6.3	(2.4)	(2)	7.4	2.60
Mining & quarrying	0.7	(4.2)	(4.2)	3.2	12.90	4.10
Manufacturing	10.0	4.4	2.0	3.8	6.50	6.30
Electricity & water supply	2.4	(3.1)	(3.1)	5.2	9.10	(1.40)
Wholesale & retail trade, repairs	10.3	7.8	1.5	5.1	11.50	11.60
Hotels & restaurants	1.7	17.9	42.8	(36.1)	16.30	14.90
Buildings & constructions	4.3	4.5	14.1	8.3	6.90	6.30
Transport & communications	9.8	6.9	6.4	3.1	15.1	11.40
Financial intermediation	5.6	8.8	4.6	3.1	6.70	4.80
Real estate, renting & business services	4.8	3.0	3.0	3.7	3.50	3.90
Public administration & defence	4.7	1.6	1.6	0.6	(2.00)	(1.60)
Education	5.7	2.7	2.7	5.8	3.70	0.30
Health & social work	2.6	4.4	4.4	3.6	3.20	3.30
Other community, social & personal services	3.3	4.4	4.4	3.0	3.40	4.30
Private households with employed persons	0.4	2.0	2.0	2.00	2.00	2.00
Less: Financial services indirectly measured	(0.8)	21.7	21.7	(0.75)	2.70	5.10
Total GDP at basic 2001 prices	**87.5**	**2.3**	**2.3**	**0.9**	**6.20**	**5.60**
Taxes less subsidies on products	12.5	4.6	4.6	6.7	13.40	11.20
Real GDP at 2001 market price	**100.0**	**2.6**	**2.6**	**1.7**	**7.00**	**6.40**

Source: Kenya National Bureau of Statistics (Economic Survey 2010)

The main sectors grew as follows:

- **Agriculture:** Agricultural sector which is key to the economic growth recovered from a decline of 2.6% in 2009 to record an impressive growth rate of 6.3% in 2010. Most crops recorded increased production with the exception of horticultural crops and coffee. The impressive growth rate in 2010 was attributed to favourable weather condition as well as improved global demand for the agricultural produces in 2010. However, and this notwithstanding, the overall sector's contribution to the GDP declined marginally from 23.5% to 22.0%.
- **Manufacturing:** The manufacturing sector's real value add increased by 4.4% in 2010 compared to a growth of 1.3% registered in 2009. The sector benefited from good rainfall which led to an increase in primary raw materials and stable power supplies. The Government's favourable tax measures, including the removal of duty on capital equipment and some raw materials further strengthened the sector in 2010. Production from the food manufacturing sub-sector recorded a growth of 8.6% in 2010 compared to a growth of 4.2% registered in 2009. On the other hand, certain sub-sectors such as production of sugar, electrical machinery, rubber products and clay, registered declined output. Overall, the sectors contribution to GDP increased marginally from 9.9% in 2009 to 10.0% in 2010.
- **Building and construction:** The sector recorded a slower growth of 4.5% in 2010 compared to a growth of 12.4% recorded in 2009. Cement consumption increased by 16.2% to 3.1 million tonnes in 2010 as a result of increased construction activities especially for infrastructure projects. Expenditure on roads increased significantly by 33.6% from Kshs 68.1 billion in 2009 to Kshs 91.0 billion in 2010 due extensive construction and rehabilitation of several trunk roads. The index of reported private building works completed increased from 142.2% to 203.5% while commercial banks loans and advances to building and construction sub-sectors increased from Kshs 30.4 billion in 2009 to Kshs 32.6 billion in 2010.The overall sector's contribution to GDP increased marginally from 4.1% in 2009 to 4.3% in 2010.
- **Transport and communication:** The sector recorded a decelerated growth of 5.9% in 2010 compared to a growth of 6.4% registered in 2009. The telecommunication sub-sector continued to post considerable growth spearheaded mainly by the mobile telephony segment. The segment posted a growth of 15.9% in subscriber base from 17.4 million subscribers recorded in 2009 to 20.1 million subscribers during the period. The road transport sub-sector maintained a steady growth with an output of Kshs 331.9 billion in 2010 up from Kshs 285.3 billion in 2009. The newly registered motor vehicles maintained an

upward trend in 2010 with total registered units standing at 196,456 compared to 161,813 in 2009, an increase of 21.4%. The total traffic throughput handled at the Port of Mombasa declined by 0.4%. The total pipeline throughput of white petroleum products registered a 2.8% decline from 4,326.3 thousand cubic metres in 2009 to 4,203.5 thousand cubic metres in 2010.

- **Tourism:** The sector registered a growth of 17.9% with the earnings totalling Kshs 73.7 billion in 2010. The number of international arrivals increased by 8.0% from 1.5 million in 2009 to 1.6 million in 2010. Bed-night occupancy increased by 6.7% from 6.2 million in 2009 to 6.7 million in 2010. Visitors to national parks and game reserves increased by 15.7% from 2.4 million in 2009 to 2.8 million in 2010. The increase was as a result of aggressive marketing in the new markets in Asia.
- **Financial Intermediation:** The financial intermediation recorded its highest growth for the last decade growing at 8.8% in 2010 compared to 4.6% in 2009. This increase was due to increased lending as reflected by the rise in domestic credit which grew by 30.4% in 2010 to Kshs 1.3 trillion from Kshs 978.3 billion in 2009. Broad money supply (M3) increased by 21.6% from Kshs 1.1 trillion in 2009 to Kshs 1.3 trillion in 2010. Notable increase was lending to Government that grew by 62.3% from Kshs 218.5 billion to Kshs 347.4 billion in 2010.

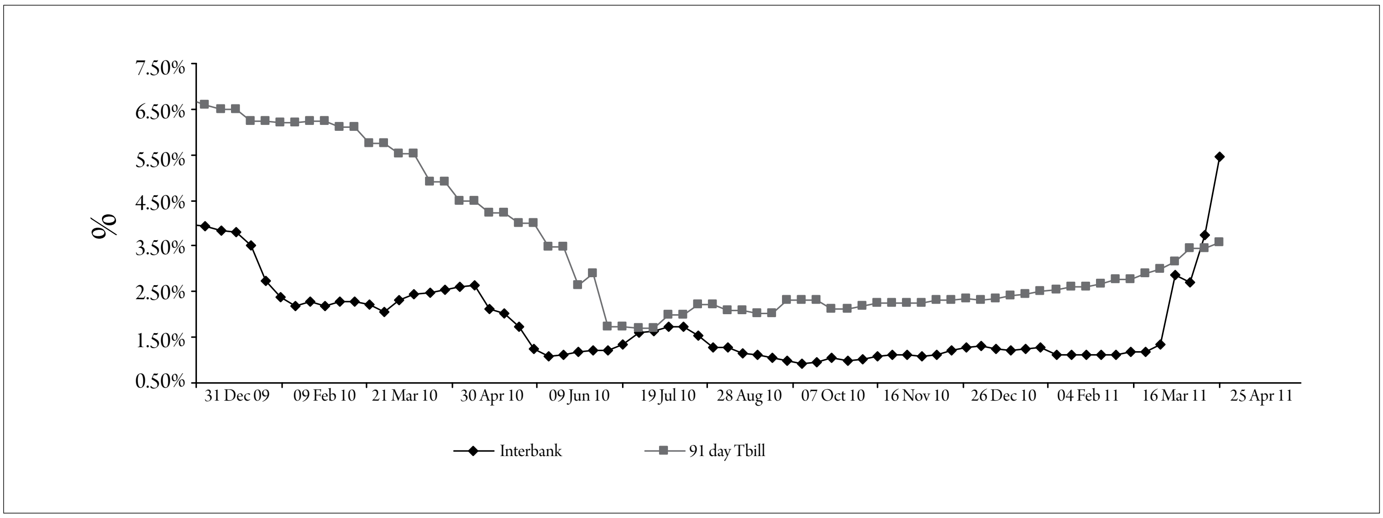
2.1 Macroeconomic Indicators

The movements in interest rates, exchange rates and inflation are summarised below. The data has been sourced from the Central Bank of Kenya as well as from the Kenya National Bureau of Statistics.

Interest Rates

In 2010, the Central Bank of Kenya (CBK) pursued expansionary monetary policy so as to support the government's economic recovery effort. This led to lowering of interest rates which were accommodated as inflation remained benign throughout the year. CBK on several occasions pumped liquidity into the market prior to some auctions in a bid to contain any rate spikes.

The 91-day Treasury bill rate consequently fell sharply from 6.61% at the beginning of January 2010 to a low of 1.7% at the beginning of August 2010 before starting a gradual rise to close the year at 2.36%. The annual average 91-day rate for 2010 was 3.65% as compared to 7.36% in 2009. The 182-day T-bill rate also fell in tandem from 7.25% in January 2010 to 1.8% in July 2010 and thereafter rose to close the year at 2.63%. The annual average came in at 3.88%, significantly lower than the 8.15% recorded in 2009. Commercial banks average lending rates increased to 13.95% in November 2010 from 13.85% in October 2010. The average deposit rate declined from 3.58% in October 2010 to 3.54% in November 2010. The interest rate spread widened to 10.41% in November 2010.



Source: Central Bank of Kenya.

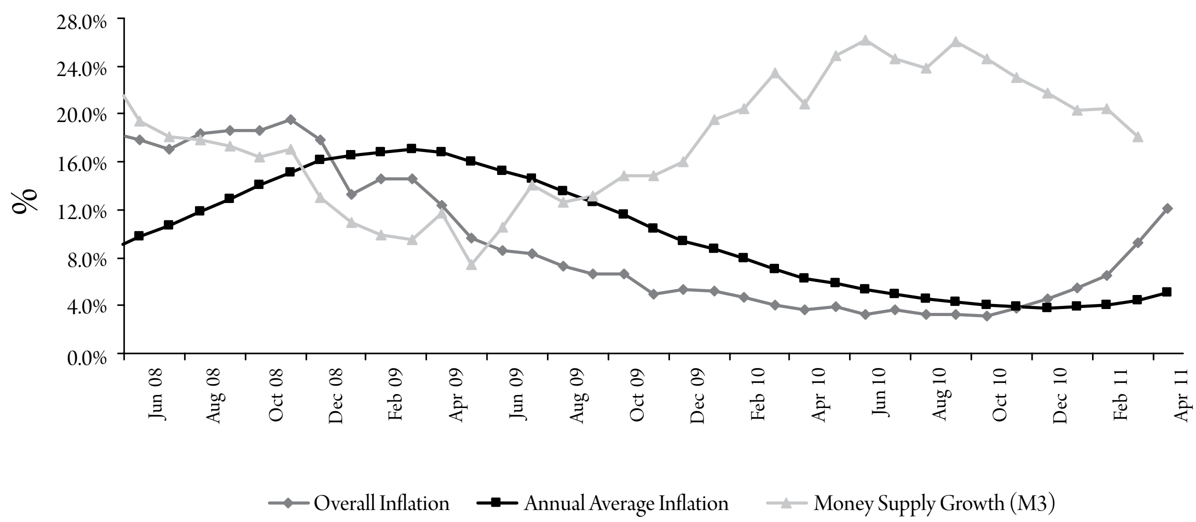
The reversal of interest rate trends from August 2010 resulted from investor concerns with the significantly low yields on treasury securities. Furthermore, the inflation rate was significantly higher (above 3.0%) than the T-bill rates thereby resulting in negative real returns to investors in treasury bills.

In the first four months of 2011, the short term interest rates continued on an upward trend. The general rise in short term rates was occasioned by increased inflationary pressure as well as a weakening Kenya Shilling. Consequently, the 91 day T-bill rate increased from 2.3% at the beginning of January 2011 to close month of April 2011 at 3.6% while the 182 day T-bill hedged from 2.6% to 3.6% at the end of April. The money market rates also spiked from 1.3% in January 2011 to 5.5% as at end of April 2011 reflecting the liquidity imbalance in the banking sector. In order to contain inflation, the Monetary Policy Committee signalled the market in March 2011 on possible interest rate tightening by increasing the CBR rate by 25 basis points to 6.0%.

Inflation

During the first four months of 2011, overall inflation edged higher from the 5.4% reported in January 2011 to close the month of April at 12.1%. The upward trend has been occasioned by a general increase in global oil prices that resulted in increased basic commodity prices as well as increased transport costs.

Broad money supply (M3), a key indicator for monetary policy formulation, expanded from Kshs 1,288.9 billion in January 2011 to Kshs 1,326.4 billion in March 2011. Money and quasi-money (M2) expanded by 2.6% from Kshs 1,117.5 billion to Kshs 1,146.8 billion over the same period.



Source: Central Bank of Kenya.

Going forward, the rising international oil prices will continue to exert more pressure on inflation. However, this may be mitigated should the second quarter rainfalls be sufficient for food production.

Exchange Rates

The Kenya shilling declined against all the major world currencies in the first four months of 2011. Against the US dollar, the shilling depreciated by an average of 3.3% having hit a new low during the period reaching levels of Kshs 86.32 in mid March before rebounding marginally to close the month of April 2011 at Kshs 83.42. The shilling also depreciated against the Euro to trade at an average of Kshs 123.71 per Euro in April 2011compared to Kshs 107.44 per Euro in January 2011 and against the Sterling Pound to exchange at Kshs 138.9 per Sterling Pound in April 2011 compared to Kshs 125.64 per Sterling Pound in January 2011. Regionally, the Kenya shilling also weakened against the Uganda shilling and the Tanzania shilling. Against the Uganda Shilling, the Kenya Shilling exchanged at Ushs 28.41 per Kenya shilling in April 2011 compared to Ushs 28.62 per Kenya shilling in January 2011. The Kenya shilling also depreciated by 2.6% against the Tanzania shilling to trade at Tshs 18.09 per Kenya Shilling in April 2011 compared to Tshs 18.57 in January 2011.

The usable official foreign exchange reserves held by the Central Bank of Kenya improved significantly by 14.1% from USD 3,466 million (equivalent to 3.48 months of import cover) in January 2011 to USD 3,956 million (equivalent to 3.84 months of import cover) as at end of April 2011.

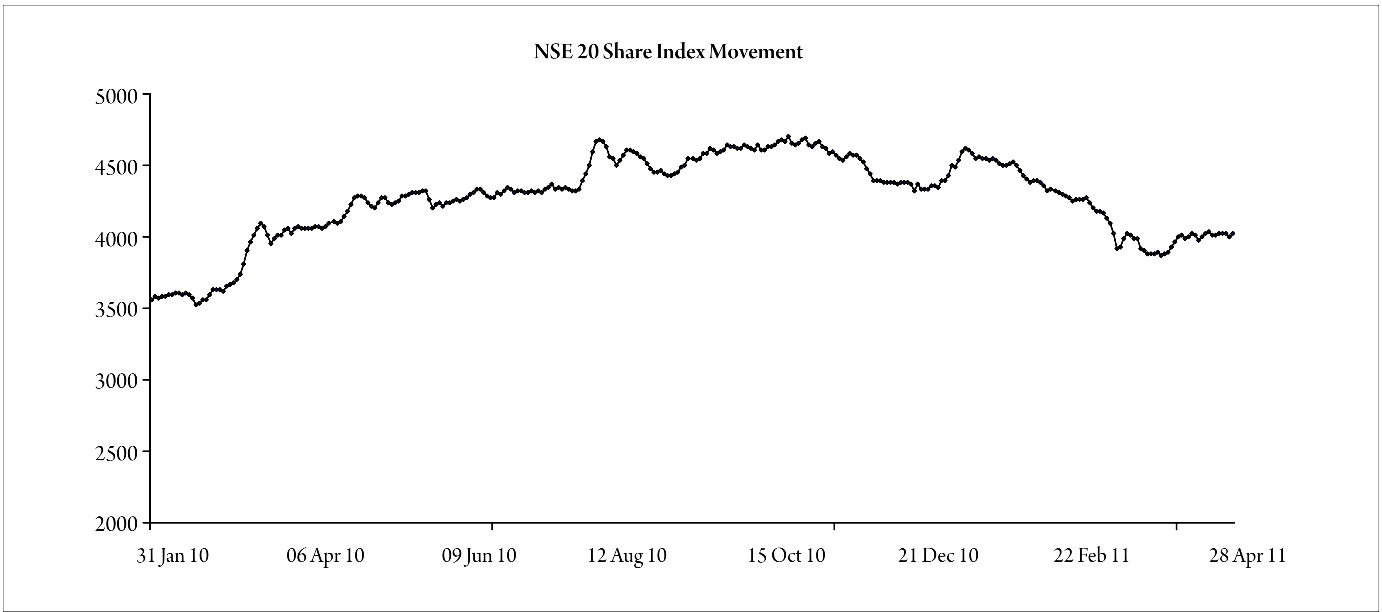
3. Overview of the Nairobi Stock Exchange

Equity Market

The Nairobi Stock Exchange (NSE) experienced one of the busiest trading years in the recent past. After three successive years of drops, the NSE rebounded strongly in 2010, with the NSE 20 Share Index recording a 37% rise. This was despite a 4% decline in Q4 2010. From a low of 3,260 points at the beginning of January 2010, the Index rallied strongly to a high of 4,701 points as at 26th October 2010 before declining to close the year 2010 at 4,432.61 points.

Turnover in 2010 rose by 134% to Kshs 89 billion while volume traded was up by 89% to 5.95 billion. Such performance was driven by the excellent corporate results released by most companies across all sectors. The agricultural, financial and most industrial stocks presented strong earnings growth and the improved outlook supported price gains. Activity at the NSE was also well supported by both local and foreign investors. A flurry of corporate actions, mainly rights issues, also punctuated the year, with four companies (KCB, TPS Serena, Standard Chartered Bank and Kenya Power) seeking additional capital.

NSE share index movement



Source: NSE

In the first four months of 2011, the Kenyan equity market witnessed mixed performance. The NSE 20 Share Index declined 12.3% in the first three months of 2011 to close the first quarter 2011 at 3,887.07 points before marginally gaining 3.7% to close the month of April 2011 at 4029.23 points. The mixed performance in the equity market was as a result of increased emerging markets risks occasioned by the uprisings in North Africa as well as in the Middle East that curtailed foreign investments. The uncertainty over the Kenyan economic growth, arising from drought in Q1 2011 and intense political maneuvering also had an impact on the equity market performance.

Recent Development at the Nairobi Stock Exchange

In 2010, the Nairobi Stock Exchange commenced the process of demutualization of the NSE that will see it move from a mutual organization to a demutualized organization. The process will see the current NSE members cede 60% of their shareholding in which 40% will be owned by public, 10% by government and another 10% by Investor compensation fund over a period of three years. The process is expected to result into a more effective governance structure at the exchange through the separation of ownership and trading privileges on the exchange.

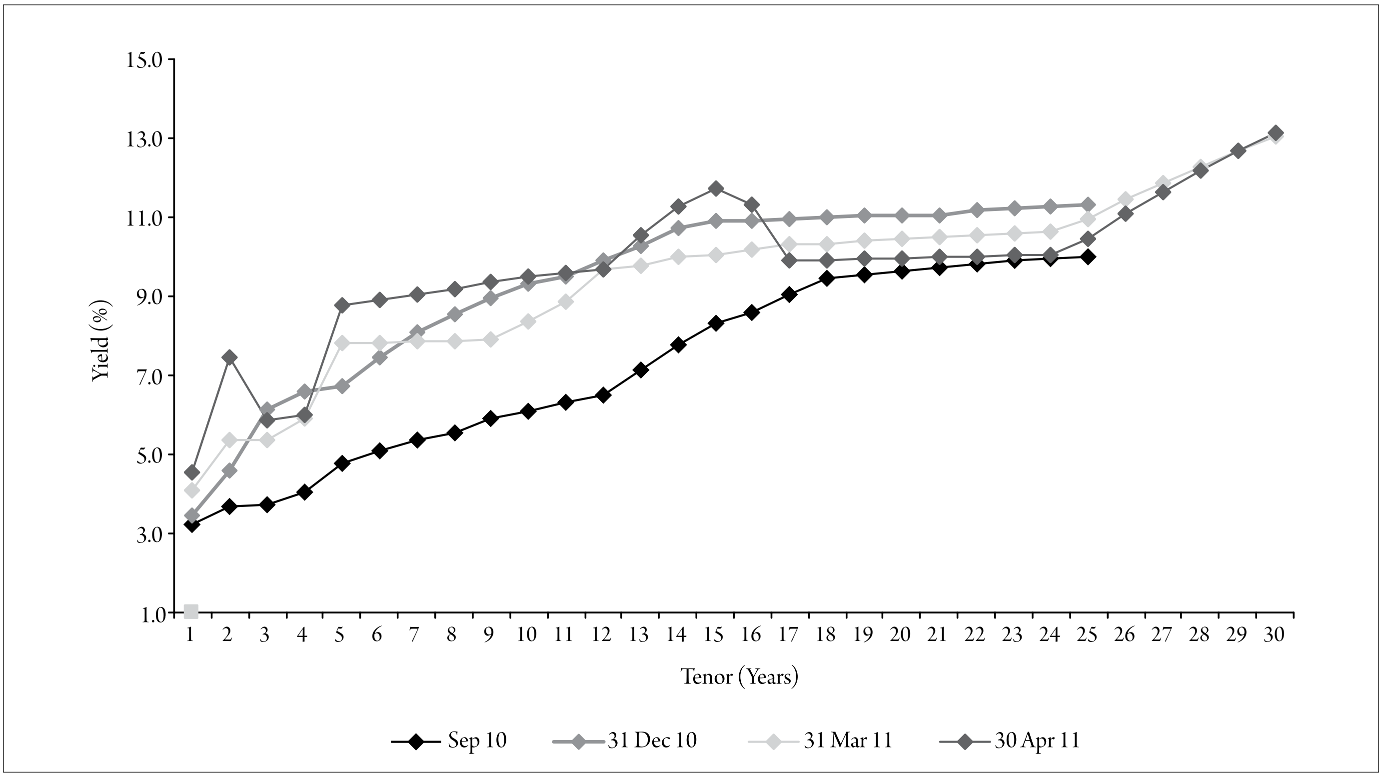
The Nairobi Stock Exchange is also currently in the process of implementing common broker back office system for its intermediaries. The system will have a direct connection between broker's IT systems and the stock exchange's automated trading system. The system has more control that will ease detection and tracing of fraud.

Bond Market

During the first four months of 2011, the bond market witnessed increased yield volatility especially in the short to medium tenors of the yield curve. The increased volatility was largely due to the inflationary pressures and distortions in the yields in the primary market that saw government accepting bids higher than the average market yields. Consequently, the short end of the yield curve increased significantly in the range of 110bps to 146bps to close the four months period in the range of 4.5% to 8.9% for a 1 year and a 6 year bond respectively. The medium term bonds also increased in the range of 10bps to 95bps over the same period to record rates in the range of 9.5% to 11.7% for a 7 year and 15 year bond respectively. Long term bonds declined in the range of 83bps to 118bps to close the month of April 2011 at 11.3% for a 16 year bond and 10.5% for a 25 year bond.

Secondary bond trading remained fairly active for the first four months of 2011 both on the primary and secondary bond markets. Government offered bonds worth Kshs 70.0 billion, receiving bids of Kshs 89.8 billion representing outperformance of 28.3%. The secondary bond market saw bonds worth Kshs 139.8 billion being traded.

Bond yield curve



Source: NSE Yield Curve.

The yield curve was also further lengthened by the debut of a 30 year Savings bond. The government generally sought to raise Kshs 18.0 billion by issuing both the 2 year bond and the 30 year bond concurrently. The auction was oversubscribed by 83% with the 30 year bond accounting for 54% subscription rate. The under-subscription of the 30 year bond resulted in the government re-opening the issue towards the close of the first quarter of 2011.

The corporate bond market however remained subdued during first four months of 2011 with a few corporate entities seeking to raise capital from the market.

Going forward, inflation pressure, a weakening Kenya Shilling and growing domestic debt may pose some threat to interest rate stability and consequently bond activity.

4. Overview of the Insurance Industry

The insurance industry is governed by the Insurance Act Cap 487 and regulated by the Insurance Regulatory Authority ("IRA").

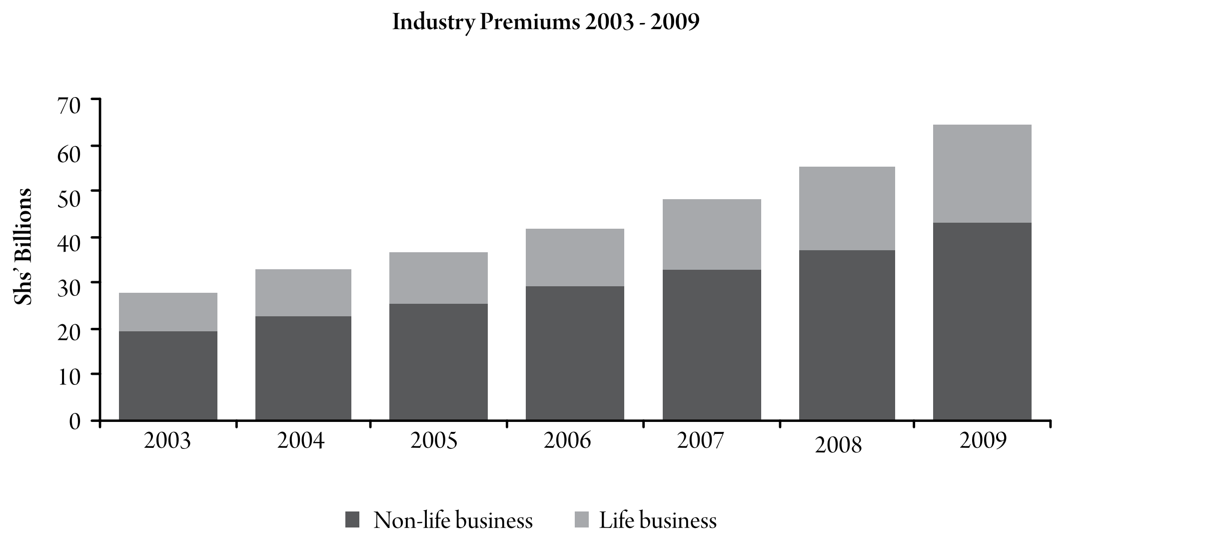
In 2009, there were 44 licensed insurance companies and 5 Reinsurance companies (2 locally incorporated) licensed to operate in Kenya:

- Of the licensed insurance companies, 20 were general insurers, 9 long term insurers and 15 were composite (both life and general) insurers;
- In addition, there were 137 licensed brokers, 21 medical insurance providers, 3,076 insurance agents, 18 loss adjusters, 2 claims settling agents, 5 risk managers, 181 loss assessors/investigators and 26 insurance surveyors;
- East Africa Re, Kenya Re and Zep Re are some of the Reinsurance companies in Kenya; and
- The future of the insurance industry is bright given the huge untapped market, increasing usage of ICT, utilization of alternative distribution channels, research and product development.

The insurance industry in Kenya is profitable and has the potential to become larger. The industry's total Gross Premium has been growing steadily over the last five years at a CAGR of about 14.5%.

The value of the insurance market in Kenya has almost doubled in the period between 2003 and 2009, growing from Kshs 27.9 billion to Kshs 64.5 billion (representing a CAGR of 12.7%).

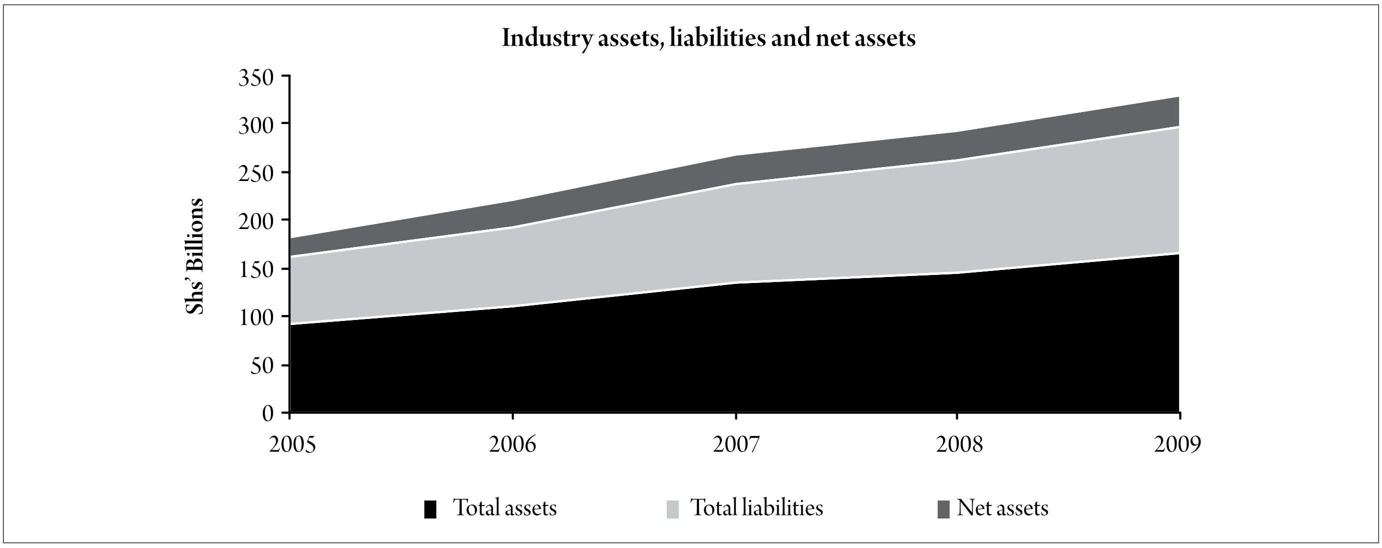
Market Growth: Gross Premium 2003 – 2009



Source: AKI: Insurance Industry Annual Report, 2009

The gross premium for general insurance business was Kshs 43.1 billion in 2009 while that of the long term business was Kshs 21.4 billion. The total assets of the industry were Kshs 164.9 billion, total liabilities Kshs 131.0 billion and net asset of Kshs 33.9 billion as at 31 December 2009.

Total industry assets, liabilities and net assets



Source: AKI: Insurance Industry Annual Report

The market is characterized by low levels of penetration. Kenyans' uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire, industrial and personal accident (mainly group medical cover) classes. As such, there remains great potential for organic market growth, though in order to stimulate this growth, there is a need for the population to be better educated as to the benefits of insurance.

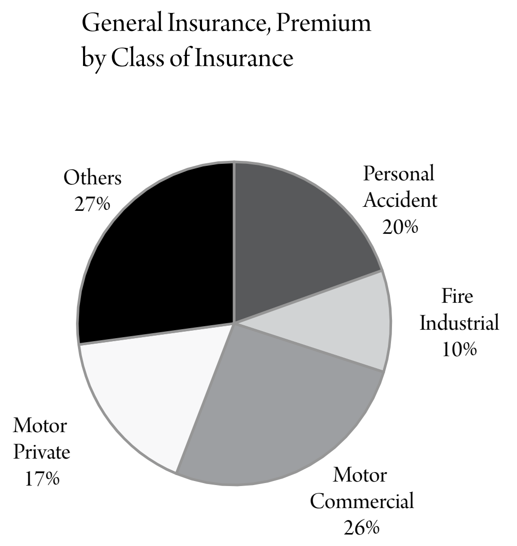
Table 10: Insurance performance relative to the Kenyan economy as a whole

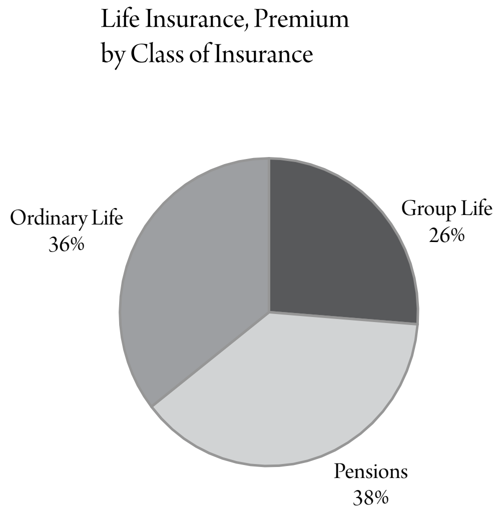
Kshs billions	2004	2005	2006	2007	2008	2009
GDP at market prices	1,282.5	1,415.2	1,642.4	1,814.2	2,099.7	2,273.6
Life insurance premium	9.97	11.01	12.48	15.14	18.3	21.36
Life Penetration % GDP	0.78%	0.78%	0.76%	0.83%	0.87%	0.94%
General Insurance premium	22.78	25.39	29.2	32.95	36.89	43.11
General Penetration % GDP	1.76%	1.79%	1.78%	1.82%	1.76%	1.90%
Total Premium	**32.75**	**36.42**	**41.68**	**48.09**	**55.19**	**64.47**
Total Penetration % GDP	**2.54%**	**2.57%**	**2.54%**	**2.65%**	**2.63%**	**2.84%**

Source: AKI Insurance Industry Annual Report 2009

4.1 General Insurance

The Kenyan insurance industry is highly fragmented, compared to its Tanzanian and Ugandan counterparts. This is indicative of a relatively high level of competition in the Kenyan market. Competitive pressures are particularly pronounced in the commercial and government segments. Participants compete aggressively for commercial lines, due to the more stringent risk management measures adopted by the insured clients, as well as the scale efficiencies associated with these large accounts. In terms of public sector business, government policy requires that public service institutions and government entities allocate insurance business based on the lowest rates. With state business contributing an estimated 20% of market premiums, this is placing increased pressure on rates. Competition is exacerbated by the similarly fragmented intermediary channels (comprising 137 brokers and more than 3,076 agents), as these entities vie for a share of a relatively small market. In this regard, market penetration in the short term insurance industry is estimated at less than 2% of GDP in Kenya. Whilst this suggests good growth potential going forward, the ability of insurers to capture the untapped market, particularly in the lower income segment, will depend on the extent to which they are able to create a value proposition for potential policyholders and increase awareness and understanding of insurance products. This will initially require significant investment on product development, education and promotion, as well as the expansion of distribution channels to reach a broader target market. These various opinions post that the deepening of this market segment is likely to come at relatively high costs in the short term, but with significant revenues/benefits in the medium to long term.





Source: AKI: Insurance Industry Annual Report 2009 and JLTA Analysis

4.1.1 Motor

Motor insurance premiums accounted for 43.4% of the total general insurance gross premium income (GPI). Growth in this area was underpinned by significant increase in the commercial sub-segment.

Notwithstanding fairly strong premium growth, margins remained thin in the motor account, due to pricing pressure and a comparatively high level of claims. Motor claims are exacerbated by inadequate road infrastructure, high traffic volumes and a lack of road usage discipline by drivers.

4.1.2 Personal Accident Insurance

Medical insurance forms the bulk of the personal accident class, representing over two thirds of GPI. With the exception of 2005, the class has demonstrated strong demand in recent years, on the back of continued growth in employment levels. Employers regard medical insurance as a complementary benefit, aimed at aligning remuneration with compensation packages offered internationally. This provides the market with new consumers demanding higher levels of healthcare service. The healthcare insurance sector is currently positioned as a group-type commercial product. Given that private health insurance demand is fairly income elastic, the sector relies on continued growth in disposable income to attract private individuals.

4.1.3 Fire Insurance

The fire class predominantly comprises commercial business, which represented 85% of fire GPI in 2009. Growth in commercial business is driven by growth in manufacturing activities as well as building and construction.

4.2 Life Assurance

Historically, limited growth in formal employment, low disposable income levels and a weak savings culture have impeded growth in the life assurance industry, with life assurance penetration (measured as a percentage of GDP) remaining below 1%. The stronger economic performance between 2003 and 2010, together with increasing salary levels, have facilitated higher accumulated wealth levels, translating to a demand for a defensive component to the investment mix (which included high direct equity market exposures).

4.2.1 Ordinary Life

Ordinary (individual) life business has been viewed as a potential growth area by industry participants, some of which have increasingly focused on improving product design in an effort to target the growing base of income earners. This includes the introduction of products suitable to the lower income segment, such as funeral cover, as well as investment related products targeted at the higher income grouping. Between 2004 and 2009 Ordinary Life market premiums have grown from Kshs 4.191 billion to Kshs 8.53 billion. Moreover, the average premium per policy rose by a pronounced 17% to around Kshs 45,021, reflecting the rise in average income levels. However, there has been an increase in lapse rates applicable to individual life policies, due to a lack of understanding of products.

4.2.2 Group Life

Group life tends to be more competitive, due to the limited number of large corporate entities in the market and the economies of scale associated with these large accounts. The AKI estimates that a mere 10% of employed individuals have group life cover, suggesting good growth prospects going forward. However, assurers will have to re-price or improve product differentiation to ensure that future benefits are adequately covered by commensurate premiums. Overall, group life GPI rose by 26.25% in 2009 to Kshs 5.69 billion and by 25% in 2008, and represented 26.2% of life assurance business in terms of GPI (2008: 24.95%).

4.2.3 Deposit Administration

The insurance industry in Kenya is the leading provider of retirement benefits funding to individuals, and small and medium enterprises. The Deposit Administration product is the ubiquitous industry offering. This product provides capital guarantees as well as a minimum return, typically 5%. Although the margins for this business are relatively thin, the business is normally accompanied with Group Life insurance business whilst the individual pension clients offer cross selling opportunities. The funds go straight to the balance sheet and strengthen market perceptions of financial strength. The retirement benefits business in Kenya is still in the early stages of growth given the country's young population structure.

4.3 Industry Challenges

General challenges faced by insurance firms are significant but these challenges help to differentiate and accentuate the standing of successful players.

4.3.1 Poor industry image

The scope of risk is defined in legal terms which are considered complex and unfriendly to customers. Not less than seven insurance companies have collapsed or been placed under statutory management. Education of the public with regard to the use of insurance products is virtually nonexistent thereby contributing to under utilisation and low uptake by ordinary Kenyans and SMEs. These challenges are being systematically addressed by the Insurance Regulatory Authority which was established in 2008 with the mandate to promote the insurance industry as well as to regulate it.

4.3.2 Fraudulent claims

The cost of claims, particularly for motor and medical insurance, has been driven upwards by a degree of fraud with the result that most insurance companies have elected not to underwrite public service vehicles ("PSV") and medical insurance. For PSV, very high court awards and the sheer length of time spent in court have deterred the majority of underwriters from participating in this risk category. An industry task force was established and forwarded its recommendations to the Treasury from which major policy redirection is awaited. The Finance Bill 2010 introduced legislation stipulating structured compensation but the provision lapsed before enactment. It is expected that this will be reintroduced in the forthcoming Finance Bill 2011.

4.3.3 Access to distribution channels

Distribution channels are vital for any business. In the insurance industry, the choice is to systematically build a tied agency network and/or use the licensed intermediaries of the industry. Intermediaries have a very strong position in regard to access to the customers and timely onward payment of premium to the insurance companies. An amendment to the Insurance Act ensured that insurance risks are underwritten on cash and carry basis thereby limiting the power of intermediaries and ending a regime in which collection of premiums was a serious challenge.

4.3.4 Reinsurance support

The Reinsurance companies facilitate the uptake of risks in Kenya. They scope the risks that can be underwritten, provide guidelines as to price and in their absence gaps can appear in the market. The lack of appropriate reinsurance support in certain areas has slowed the development of original and innovative products suited to the Kenyan environment. The Africa Trade Insurance Agency has recently provided reinsurance support for the underwriting of political risk. AKI is developing another political risk initiative for the market. Micro-insurance outreach which is typically plagued by uncertainty often lacks reinsurance support.

4.3.5 Fragmentation of market share

The presence of a large number of players and similar products with no switching costs for most corporate business has driven price undercutting as part of competitive behaviour. The issue is exacerbated by 137 brokers in the market. This has resulted in the commoditisation of many general insurance and group life products. Efforts are being made by the Insurance Regulatory Authority and AKI to arrest and reverse this trend and for insurance companies to present sustainable value propositions to customers through strategic and marketing plans.

4.3.6 Limitation on transfer of surplus for long term business

The Insurance Act restricts the annual transfer of surplus from the long term fund to 30% and subjects such transfers to tax. This is a measure of prudence but has the effect of reducing the attractiveness of life insurance as an investment destination. Long term insurance start ups and new business efforts require significant investment to support front end strains. AKI has approached the Treasury with a request to review these provisions of the Act.

4.3.7 Limitation on beneficial ownership

Section 23 of the Insurance Act has restricted beneficial ownership by the members of a family to 25% of any insurance company with effect from 31 December 2011. AKI has requested the Government of Kenya to review this provision with a view to aligning it with international best practice.

4.3.8 Government procurement process

The Government of Kenya is the single largest customer of the industry. Whereas procurement guidelines have been established, the actual practice often remains a challenge for most insurance companies. It is anticipated that the process will be streamlined further.

4.3.9 Market penetration

Insurance penetration (ratio of gross premium to GDP) remains very low at 2.84% in 2009. This is however an improvement from 2003 when the penetration was 2.44%. Increasing market penetration is a key challenge but major opportunity for the Industry.

4.4 Industry Outlook

4.4.1 General business

Expectations for the short term are tied to the prospects of economic recovery and growth, improvement in income levels and prospects for increased international trade. On the whole, economic and political stability are required to promote top line growth in the short term insurance industry whilst the regulatory changes implemented under the Act make some progress in addressing the challenges faced by insurers. The level of competition is likely to persist in the absence of consolidation or strong differentiation factors, such as new products or alternative distribution systems. Insurers also face various challenges, such as losses occasioned by fraud, crime and careless driving. However, responsive price-setting should mitigate the adverse impact from some of these risks.

4.4.2 Life assurance

Higher income levels should translate to stronger demand for life protection and wealth preservation. Accordingly, this provides the impetus needed for the fund management and life assurance industries to bolster critical mass, thereby reducing the relative costs of administration, which has in the past been an impediment to returns. Further, the amendments to retirement benefit regulations should assist in improving acceptance of life products from the consumer perspective, by promoting improved efficiency and certainty of policyholder rights. However, as with the short term business, life assurers will need to expand the scope of their target market to obtain volume increases, whilst placing emphasis on retaining persistency levels of new business. This has proven to be a challenge, and will require improved product innovation and extensive promotion, which could place further pressure on costs.

4.5 Micro-insurance

The insurance industry in Kenya has acknowledged that micro-insurance has tremendous potential for increasing insurance penetration in the country. The main thrust for growth in the near to medium term is likely to be driven by micro-insurance. Given the demographics which include an economically productive population of 10.5million including 3 million in the formal sector it is believed that the insurance penetration levels can increase from the current 0.94% for Life insurance to 1.2% and from 1.9% to 2.2% for General insurance within the next five years. The first movers in micro-insurance will therefore have the opportunity for dramatic increase in their revenues within the next five years. The number of firms offering micro-insurance has grown from a single firm in 2007 (CIC Insurance) to six, including Old Mutual, Kenya Orient, British-American, UAP and Apollo as at April 2010[10].

The penetration of insurance products has remained at a measly 2.84% in 2009 because of low confidence in insurance products and lack of products targeted at the low and mid-end of the market.

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[10] *AKI Report 2009*

4.6 Legislative Changes

There have been a number of legislative changes in the recent past including:

- **The formation of the Department of Insurance into a fully fledged Insurance Regulatory Authority to oversee the Insurance Act;**
- **Minimum Capital Requirements** has been increased to Kshs 300 million for general insurance business, Kshs150 million for life insurance business and Kshs 450 million for composite insurance business;
- **"Cash and carry"** has been introduced to all classes of insurance business. Insurers assume risk upon receipt of the premium;
- **Finance Act 2009:** effective 27 December 2010 the amendments to Section 23 of the Insurance Act on limited ownership of listed shares and voting rights, limits the shareholding or control in an insurer by a person (other than an eligible person) to 25%. Further a person controlling more than 20% of an insurer shall not be involved in management of the company;
- **Margin of solvency:** Investments of life insurance business or a general insurance business in a company or a group of companies which is a bank or a financial institution or a group of banks or financial institutions shall pursuant to section 50(10) not exceed 10%;
- **Motor Insurance Cover Upon Change of Ownership of a Motor Vehicle:** upon change of ownership of a motor vehicle, an insurer shall only issue temporary cover for a period not exceeding three (3) months, pending registration of the motor vehicle in the name of the new owner;
- **Income Tax Act Cap 470, Section 19(5) and (6):** The Income Tax Act was amended to tax the actuarial surplus for life insurance business recommended to be transferred for the benefit of shareholders. This amendment took effect on 12th June 2010;
- **Insurance (Motor Vehicle Third Party Risks) Act, Cap 405:** Under Section 10(5), insurers were required to pay amounts over and above the statutory limit of Kshs 3 million for judgments in respect of third party liability claims and recover such amounts from the policy holders. With this amendment, insurers will no longer be compelled to pay any amount in excess of Kshs 3 million; and
- **Settlement of claims:** a penalty of a five percent shall be paid for any amounts that remains unpaid in respect of a claim within ninety days of the date of reporting the claim or where the determination of liability is by court, then within ninety days of such determination prescribed under subsection (1).

It is anticipated that these changes should significantly strengthen the insurance industry. The Insurance Regulatory Authority compliance requirements will mean better regulation of the industry and this is expected to boost the confidence in the industry and therefore market penetration. The introduction of cash and carry will result in improved cash flows for the players and also impact improved investment returns.

[11] *Retirement Benefits Authority and KPMG Kenya analysis*

5. Overview of the Asset Management Industry

The asset management industry in Kenya presents an opportunity for growth for the fund managers. The key driver for growth in the recent past has been the enactment of the Retirement Benefit Authority (RBA) legislation in 1998, which mandated pension funds and retirement benefit schemes to appoint licensed, professional fund managers to manage the assets of the pension and retirement benefit schemes. The enactment of the regulations for Collective Investment Schemes by the Capital Markets Authority in 2001 also assisted in spurring the development and growth of collective investment schemes such as unit trusts.

Over the last three years, there has been growth in the number of new fund managers in the industry. As at June 2010, there were 18 fund managers and currently there are a total of 41 structured unit trust funds in the market. Further entrants into the industry are expected given that several companies have applied to the Capital Markets Authority for licences.

The industry comprises of the portfolio management of funds for private clients and institutional funds such as pension funds, and provision of investment funds such as unit trusts and other collective investment schemes. The current market size is estimated at over 8,000 clients with total assets under management of Kshs 324 billion[11]. There has been rapid growth in the industry as more people understand the importance of investment.

Three key product groups offered in this industry are:

- Investment funds products such as unit trusts and other collective investment schemes;
- Discretionary portfolio management services for institutional investors and private clients; and
- Personal wealth management services.

5.1 Unit Trust Products

The unit trust market is still at the infancy stage having started in the Kenyan market in 2001. The entry points for the various unit trust products are different ranging from a minimum of Kshs 5,000 to Kshs 1,000,000 and various fund managers in the industry target different market segments. The positioning of the key players offering unit trust products are summarised below. The Asset Management Company is currently the industry leader in the Unit Trust market with a market share of 32.7% as at end of December 2010.

Table 11: Unit Trust market share based on funds under management for key players

Provider	Assets under management December 2010 (Kshs 000)	% Market share
British-American Asset Managers	9,234,407	32.7%
Old Mutual Investment Group	8,709,683	30.8%
Stanbic Investment Management Services (EA)	5,042,801	17.8%
African Alliance Kenya Management Co.	2,327,799	8.2%
ICEA Asset Management	1,554,366	5.5%
Zimele Asset Management Co.	649,205	2.3%
CBA Capital	530,093	1.9%
Dyer & Blair	144,715	0.5%
Suntra Investment Bank	65,522	0.2%
Standard Investment Bank	13,946	0.05%
Total	**28,272,537**	**100.0%**

Source: Published financial statements and Joint Lead Transaction Advisers Analysis

[11] *Retirement Benefits Authority and KPMG Kenya analysis*

5.2 Discretionary Portfolio Management Services

The discretionary portfolio management services market is characterized by low margins as a result of competitive price pressure. The largest players in Kenya are Old Mutual Asset Managers (Kenya) Limited, Pinebridge Investments Company (EA) Limited, Genesis Kenya Investment Management Limited and Stanbic Investment Management Services (EA) Limited. Between them, the four players manage over Kshs 229 billion, comprising more than 75% market share[12].

The Asset Management Company is currently among the top ten in the discretionary portfolio management[12].

5.3 Personal Wealth Management

This is a growing business area encouraging individual investors including high net-worth individuals to invest in various investment products and services based on their investment risk appetite and risk profile.

5.4 Industry Challenges

5.4.1 Competition on Pricing

Due to economic growth and increased savings, the Kenyan asset management market has become more attractive. As a result, the market has witnessed an increase in competition with the entrance of a number of domestic and international players. This competition has led to margin pressure. However, the asset management company has responded by the launch of innovative new products and services.

5.4.2 Need for Investors Awareness/Education

As result of the industry being nascent, there has been low awareness on the benefits of investment products and services amongst retail and institutional investors, and the benefits of using professional fund managers. This creates an opportunity to tap into new segments of the market by enhancing awareness and educating investors. The Asset Management Company is at the forefront of this drive through working with the regulator and other industry players. The Managing Director of the Asset Management Company currently holds the Chairmanship of the Association of Collective Investment Schemes (ACIS), the industry body for unit trusts.

5.4.3 Amendments to Regulation 19 of the Retirement Benefits Regulations

The Minister for Finance amended regulation 19 of the Retirement Benefits Regulations, which deferred refund of employers' contributions until the member attained the retirement age, except in the case of ill health and incapacitation. The amended regulation now allows for a member who leaves employment after three years of membership but before attaining the specified early retirement age to access not more than 50% of their accrued benefits. Whereas this change in the regulations may impact adversely through a potential increase in withdrawal rates among pensioners, it provides an opportunity for creation of new products and services to address.

5.5 Industry Outlook

There is a great potential for growth within the asset management industry as a number of Kenyans are joining both the formal and informal employment sectors, which will create a strong demand for investment products and services.

Under Vision 2030, the Kenyan government's current development blueprint, it is envisaged that the financial services sector will play a critical role in the next phase of the country's development by providing enhanced intermediation between savings and investments. Part of Vision 2030 is to develop a vibrant and globally competitive financial sector driving high levels of savings and financing of Kenya's investment needs. A number of key strategic areas have been identified as critical for achievement of Vision 2030. These include capital markets, banking, informal finance and direct investments from international financial markets. The key goal in financial services is to raise savings and investment rates from 17% to 30% of Gross Domestic Product ("GDP") through: increase in bank deposits, reduction in the share of population without access to financial services from 85% to 70%, and raising stock market capitalization from 50% to 90% of GDP. This is likely to boost significantly the opportunities for fund managers.

[12] *Source: Retirement Benefits Authority and Published Financial Statements, 30 June 2010*

6. Real Estate Industry

Introduction

The real estate sector has remained vibrant and has lately been one of the key contributors to economic growth. With the devolved governments as envisioned in the new constitution, more opportunities for real estate development as well as values are likely to be on the rise in the medium term. Demand for land for the establishment of public utilities and construction of housing units will also sustain increased property values.

According to the Ministry of Housing, it is estimated that 150,000 new and additional housing units are required in the urban areas every year yet only an estimated 35,000 are currently produced annually. Out of this annual production, only an estimated 20% or 6,000 housing units cater for low-income urban households. Inadequate production of this category of housing is associated with under investment by both the public and the private sectors. Public sector involvement in housing development through Exchequer funding has been declining over the years while the private sector has mainly catered for upper middle and high-income group, leaving the lower middle and low-income brackets unattended.

6.1 Property Market Segment[13]

Residential Market: This is a property segment that creates dwelling places across the viable areas within the country. Nairobi's residential market has seen considerable development in recent years, particularly in the middle income market sector.

The residential market in both the mid and high end sectors is vibrant and prices have now recovered from the impact of the global economic crisis and the post-election skirmishes of early 2008. Houses in gated compounds and apartments have seen greater demand than single stand-alone homes. The current trend is to develop out-of-town integrated communities, targeting mainly the middle class; examples include Fourways Junction and Thika Greens.

The demand within this segment is expected to remain high as a growing middle income class continues to seek better housing.

Retail Market: Retail market is the property market segment that deals with the supply of commercial and trading Properties. Nairobi continues to be home to the most modern shopping malls in the country, with new entrants being Galleria Shopping Mall situated in Langata suburb of Nairobi and Greenspan on the outskirts of Thika town. Mombasa and Kisumu have also witnessed retail developments including the new City Mall in Nyali, Mombasa (currently under construction) and United Mall and Mega City in Kisumu. The retail sector has benefitted from a resilient economy and a growing middle class population.

Office Market: Office market refers to the property market segment that involves the development of office spaces as well as business parks. Properties are developed either for rental basis or owner occupier.

Shortage of quality office spaces in 2007/8, in addition to the anticipated under-sea optic cable intended to make Nairobi a strong BPO hub led to accelerated development of office premises. Further, the promulgation of the new constitution in August 2010 has brought in confidence and improved optimism about the Country's future from both local and international investors. The major decentralised office nodes of Westlands, Upperhill, Riverside, Karen and Gigiri have continued to witness a considerable amount of prime office development, notably 14 Riverside, Delta Corner and Kenya Medical Association (KMA) Centre.

Industrial Market: Industrial market is the segment that creates spaces for the upcoming industrial ventures. The industrial market is dominated by owner occupiers. The industrial market has seen the increased development of business parks targeting light industrial users, including Business Processes Outsourcing and Call Centres. This is primarily as a result of Kenya's connection to The East African Marine System (TEAMS), a submarine fibre optic cable providing the country true broadband capability for the first time. Notable projects which have been completed include Sameer Business Park, Tulip House and Royal Business Park, all on the Mombasa Road in Nairobi. The government has also acquired 1,000 acres along Mombasa Road, where it proposes to construct an ICT hub expected to attract both internal and external investment and enhance the ICT sub-sector.

Table 12: Market rents and yields by sector

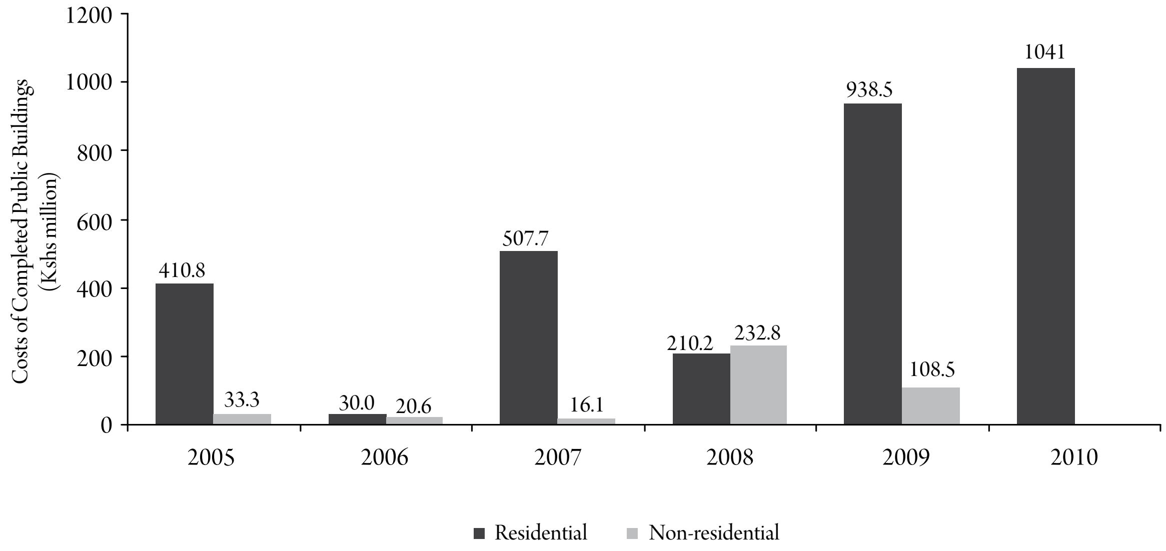
	Prime Rents	Prime Yield
Residential	US$4,000 Per Month*	7.00%
Retail	US$ 31.0 Per Square meters Per Month	11.00%
Office	US$ 10.0 Per Square meters Per Month	9.0%
Industrial	US$ 3.6 Per Square meters Per Month	13.0%

** 4 bedroom executive house-prime location*
Source: Knight Frank LLP

[13] *Source: Knight Frank 2011 Africa Report*

6.2 Trends in the Housing Market

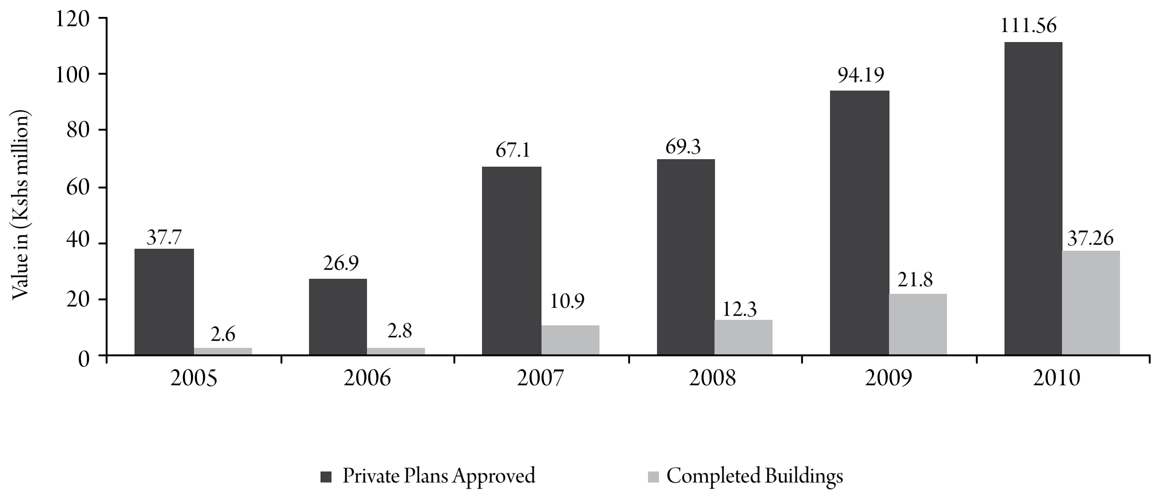
Over the last three years, the Government of Kenya (GoK) has been keen on improving housing for its citizens. Consequently, there has been a major shift of focus from non-residential to residential market segment. This shift has been attributed to the growing number of middle income class and improved economic activity. The estimated cost of residential buildings completed by the GoK and its agencies grew by 10.9% from Kshs 938.5 million in 2009 to Kshs 1,041.0 million in 2010. In 2010, the GoK and related agencies did not participate in any non-residential buildings.



Source: Local Authorities, National Housing Corporation& Ministry of Public Works

6.3 Private Sector Key Players within the Real Estate Sector

To meet the demand shortfall, a number of players have been keen to invest in Real Estate and particularly in the growing residential market segment. The value of completed works by private sector has grown at a Compounded Average Growth Rate (CAGR) of 70.3% over the last five years to Kshs 37.3 billion as at end of 2009. The approved private plans have also grown from Kshs 37.7 billion to Kshs 77.4 billion as at end of 2009. The gap between approved plans and the actual completion of the projects points to the funding shortfall in which private sector players need to tap into.



Source: KNBS Economic Survey 2011

6.4 Housing Market Projections

With increased investment from the private sector and different incentives put in place by the government, it is estimated that a total of 4.3 million housing units will be developed between 2008 and 2030. Of these, 2.2 million units representing 52% of the total will be for low income urban households[14].

Analysis of Demand for Housing

Rebounding Economy

Kenya has had good economic prospects over the last seven years despite the slowdown witnessed in 2008. The growth prospects have been supported by a number of structural reforms that have been implemented by Government across the various sectors within the economy.

These reforms especially the infrastructure developments have to a large extent opened up the property market in Kenya. Office spaces outside of the traditional Central Business Districts of Nairobi have developed in areas such as Upper Hill, Westlands, Gigiri and along Mombasa Road.

The pace of development of decentralised malls and rental spaces has also picked up since the completion of Crossroads Centre in Karen (7,789 square metres) and the Westgate centre in Westlands (25,868 square metres) and The Junction (15,728 metres) is currently undergoing further expansion.

With increased economic activities and the fast changing life styles in Kenya, most segments of the property market will continue to witness substantial demand.

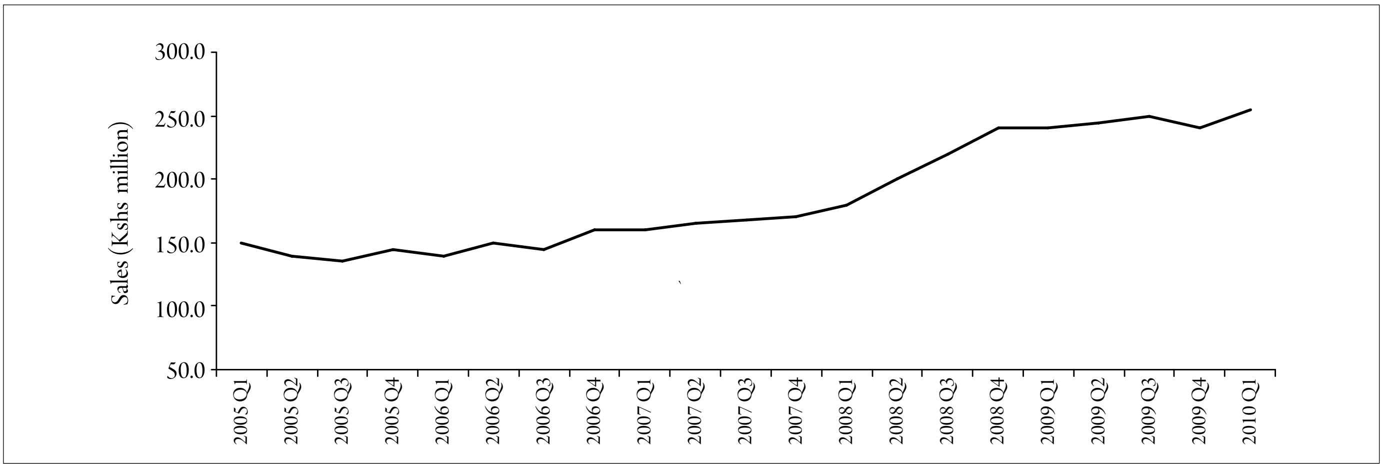
Growing Middle Income Class Putting Pressure on the Residential Segment

Over the last seven years, the numbers of middle income class Kenyans have increased due to improved economic activities opening up new job opportunities. The numbers of Kenyans in middle income class have increased from 1.5 million as at 2002 to 3.6 million as at end of 2009. The wage bills have also grown over the period thus leaving the middle income class with a reasonable disposal income to invest in capital goods such as housing.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Kenya Population (million)	29.5	30.9	32.2	33.2	34.2	35.1	36.1	37.2	38.3	38.6
% of Middle Income	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	8.0%	10.0%	10.0%	10.0%
No. of Middle Income Class (Million)	1.5	1.5	1.9	2.0	2.4	2.5	2.9	3.7	3.8	3.9

The Kenyan Population in the Middle Income Class
Source: KNBS and NIC Capital Estimates

The growth in the middle income class on the back of improved economic conditions has resulted in increased demand of residential housings which the current market supply has not been able to satisfy. Consequently, the residential properties mostly in the middle and upper income category have seen a price surge. Sales prices have grown by more than 32% since 2005 a clear indication of inadequate supply within the property market.



Source: Hass Consultant

Note: The Hass Composite Sales Index as at 1st April 2010

[14] *Source: Ministry of Housing*

7. Competitive Landscape

The Group considers its competitors to be all those companies offering insurance, financial products and services e.g. other insurance companies and investment management companies as summarised below:

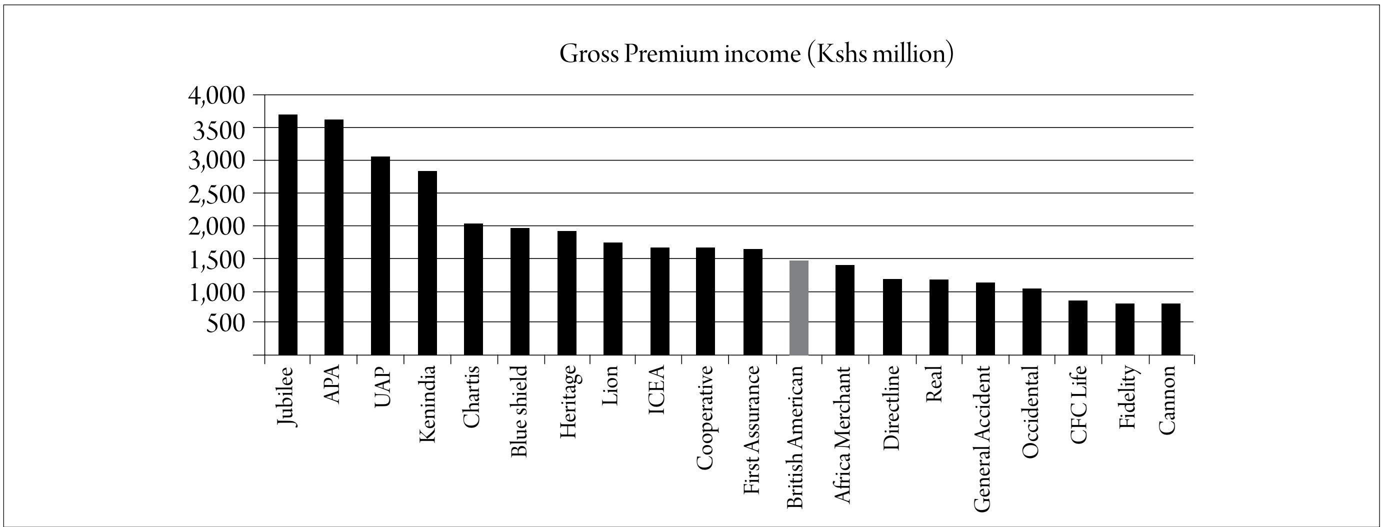
- All insurance companies of which 20 are general insurers, 9 long term insurers and 15 are composite (both life and general) insurers;
- All asset management companies which are currently 17.

Insurance

As stated above, the Insurance Company is one of Kenya's largest insurance companies, with a premium market share of about 19% of the life insurance market and a significant presence in the general market, which correlates with it's 19.4% of market share of underwriting profit annually. This is despite a market share in gross premiums of 3.4% in 2009 for non-life insurance business.

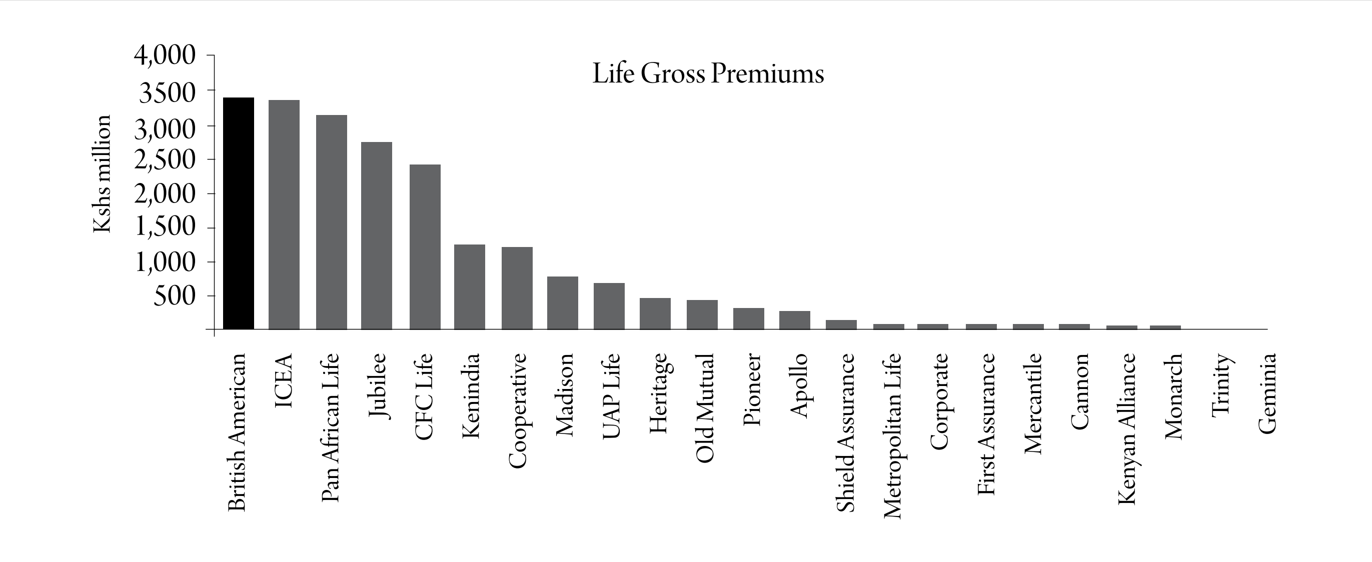
- Its countrywide geographic coverage, coupled with the ability to cross sell products and its track record of innovation (most recently in terms of micro-insurance), have made it a market leader. Its robust position is demonstrated by its 2009 results compared to its peer group. Highlights include:
- Number 2 in terms of shareholders' funds;
- Number 1 in terms of Life Insurance business (life and pension);
- Number 2 in terms of gross premiums written; and
- Number 2 in terms of profit before tax based on underwritten profit on non-life insurance business classes.

2009 Non Life Gross Premiums Written (Top 20 Insurance Companies)



Source: AKI Report 2009 and KPMG analysis

2009 Life Gross Premium Written



Source: Management information and publicly available financial statements

The Group is increasing its business and spreading into micro-insurance and the un-touched mass market business.

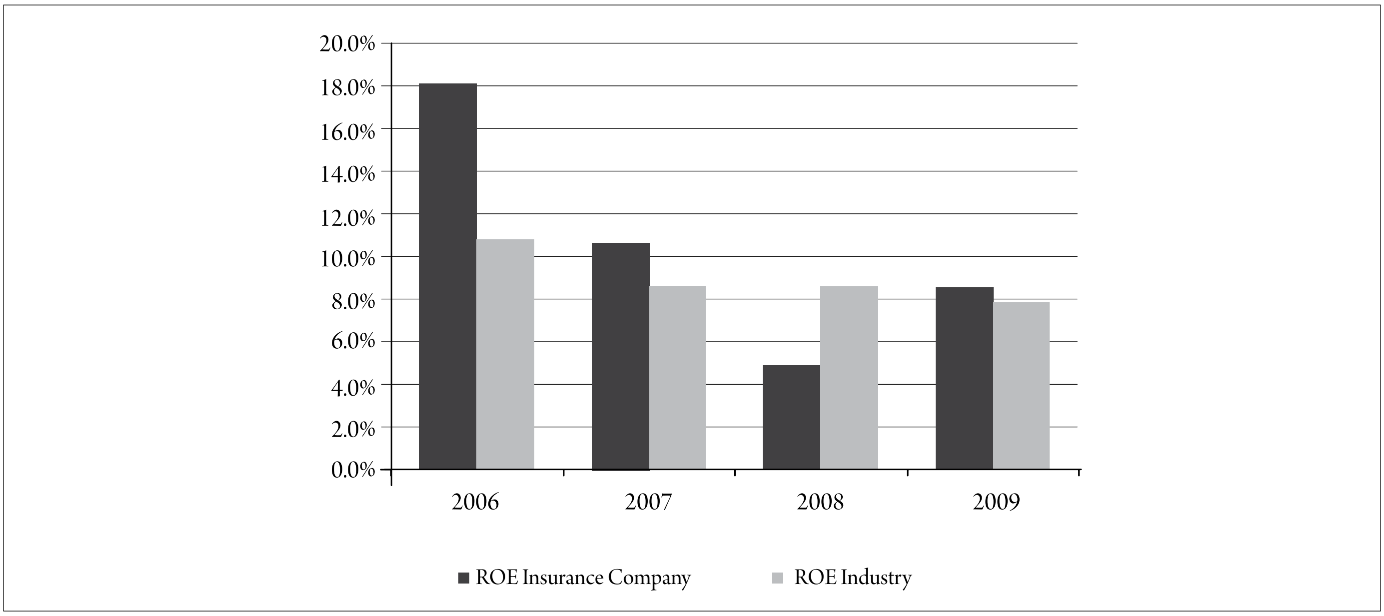
The return on equity (ROE) for the combined insurance business for the Insurance Company in comparison to the Industry for the years ended 30 June 2006 to 30 June 2009 is summarised below.

Table 13: Return on equity: Insurance Company and Insurance Industry

Return on equity	**2006**	**2007**	**2008**	**2009**	**2010**
Insurance Company	18.3%	11.0%	6.0%	9.5%	12.0%
Consolidated Insurance Industry	11.1%	9.3%	8.8%	8.2%	N/A

Sources: KPMG analysis and Insurance Regulatory Authority, 2009 Insurance Annual Report

Return on equity Insurance Company and Consolidated Insurance Industry

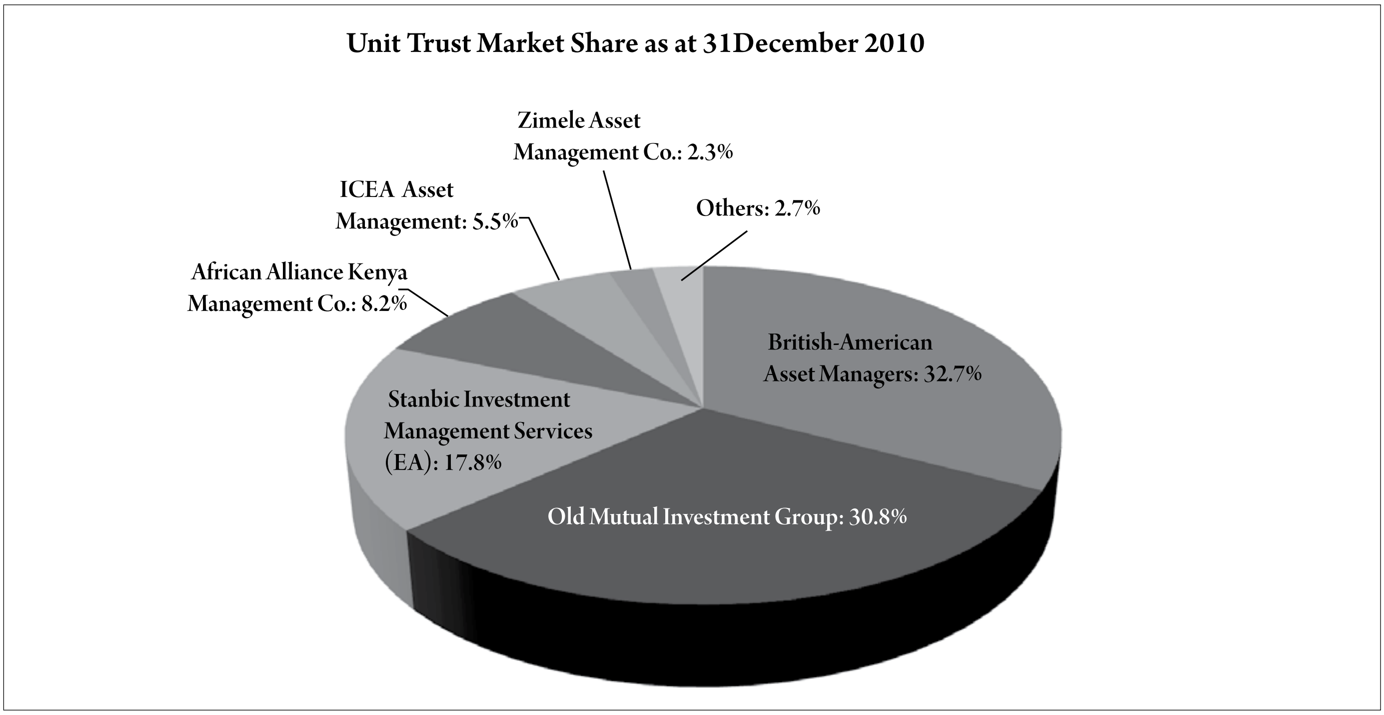


The return on equity (ROE) for the Insurance Company is higher than the Industry between 2006 and 2007 declining in 2008 due to the global economic meltdown and recording higher returns than the industry norm in 2009.

Asset Management

The Asset Management Company is currently the market leader in unit trusts with the largest share of the market as at 31 December 2010 of 33%. Currently, there are 10 providers of unit trust funds with a total market size of Kshs 28.3 billion as at 31 December 2010.

Outlined below is a chart outlining the market share as at 31 December 2010.



Source: Published financials

For discretionary portfolio management services market, the Asset Management Company is ranked tenth in terms of market size as measured by the assets under management. The key players in this segment include: Genesis Investments Management, Pinebridge Investments, Stanbic Investment Management Services and ICEA Asset Management.

7.1 Barriers to Entry into Kenyan Insurance and Asset Management Industry

The following requirements are key to successful entry and trading in the Kenyan Insurance and asset management market:

- **Brand** – in recent times there have been insurers and stock brokers who have collapsed holding policy holders' and investors money with them. Therefore, a strong brand and reputation is required in order to gain customer confidence.
- **Extensive distribution network** - in order to achieve a wider client base, a robust sales force is required to operate in all key areas of the insurance and investment management business. The sales force must understand the products and the markets thoroughly, and, given that the insurance and investment management business in Kenya is heavily based on the integrity of the sales force, the sales team must be reputable and trustworthy. A successful distribution of corporate insurance business requires the development of confidence and forging of relationships with selected insurance brokers (there are approximately 200) that have access to the profitable segments of the markets.
- **High levels of capital** - the front end strain for long term insurance calls for more than just the statutory capital to finance the operations.
- **Industry knowledge** - strong competition and price pressure requires a very clear understanding of the industry.
- **Minimum capital, minimum assets and solvency margins:** Insurers carrying on long-term insurance business and general insurance business are required to maintain minimum capital, minimum assets, margins of solvency and ensure compliance with any requirements as stipulated in the Insurance Act Cap 487. The minimum capital requirements are Kshs 300 million for General Insurance business and Kshs 150 million for Life Insurance Business.
- **The Capital Markets (Licensing Requirements) (General) Regulations, 2002:** The Fund management business is subject to these regulations that also stipulates minimum capital requirements.
- **Human capital** – organisations need to invest significantly in the training and development of the workforce to deliver the specialised services.

8. Information on the Group

8.1 History of the Group

British-American Investments Company (Kenya) Limited ("The Company")

The Company was incorporated in Kenya on 26 July 1995 under the Companies Act as a private limited liability company (Registration No. C66029) under the name British-American Financial Services Limited. The name British-American Financial Services Limited was changed to Britak Investments Company Limited in September 2003. The name Britak Investments Company Limited was subsequently changed to British-American Investments Company (Kenya) Limited in May 2006.

The Company is an investment holding company with subsidiaries and associates principally engaged in financial services. The Company is the 100% beneficial owner of British-American Insurance Company (Kenya) Limited ("Insurance Company"), British-American Asset Managers Limited ("Asset Management Company") and Britam Insurance Company (Uganda) Limited ("Britam").

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

Operations commenced in Kenya in 1965 with the opening of the first branch in Nairobi. A local company was incorporated on 14 November 1979 under the Companies Act as a private limited liability company following a government directive that all branches of foreign owned insurance companies would need to be incorporated locally. By this time, the Company had established nine branches across Kenya. This local incorporation represented the first step in the localisation of the Company.

The Company has evolved over the years, from a home service life insurance branch to a leading insurance brand in East Africa offering life, health and property/casualty insurance products and pension plans. This growth and diversification can be attributed to a strategy of differentiation, based on catering to the needs of market segments not adequately serviced by other providers. This ethos continues to be at the core of the Company's outlook. The strategy is underpinned by focused leadership provided by experienced and dedicated directors and management.

The Company's unique critical success factors include the largest tied agency force in the industry with over 1,000 agents[15], knowledgeable about the markets, and effective execution of strategies including market development, product development, market penetration and diversification.

The Insurance Company's principal activity is to underwrite all classes of life and non–life insurance risks as defined in the Insurance Act with the exception of aviation and industrial life assurance. It also issues investment contracts to provide its customers with asset management solutions for their savings and retirement needs. The Insurance Company is licensed by the Insurance Regulatory Authority (IRA).

British-American Asset Managers Limited ("Asset Management Company")

Asset Management Company was incorporated on 16 April 2004 under the Companies Act as a private limited liability company. It has grown from a start-up to one of the most recognised fund managers in Kenya with assets under management in excess of Kshs 17 billion at the end of 2010. British-American Asset Managers is licensed as a Fund Manager by the Capital Markets Authority (CMA) and the Retirement Benefits Authority (RBA).

The core business of Asset Management Company is the provision of investment advisory and fund management services. The company offers investment funds structured as unit trusts and discretionary portfolio management to both institutions and private clients.

Britam Insurance Company (Uganda) Ltd ("Britam")

Britam is a 100% owned subsidiary of British-American Investments Company (Kenya) Limited and is located on 1st Floor, Course View Towers, Yusuf Lule Road, Kampala. Britam was incorporated on the 26 July 2010 under the Companies Act of Uganda. The Company changed its name to Britam Insurance Company (Uganda) Limited on 27 October 2010 from its former name British-American Uganda Limited. It commenced operations in November 2010 and is licensed to underwrite all classes of life, health, and property/casualty risks as defined by the Uganda Insurance Act except for aviation, bond investment and industrial life assurance. It also provides pension plans.

[15] *AKI Report 2009*

8.2 Historic Milestones

The Group was founded in Kenya in 1965 as part of an international group. Over the past forty-six years ownership has gradually been transferred so that, as from 2006, it became an indigenous establishment with more than 60% ownership in the hands of Kenyan shareholders.

The key events in the history of the Group in Kenya are summarised below.

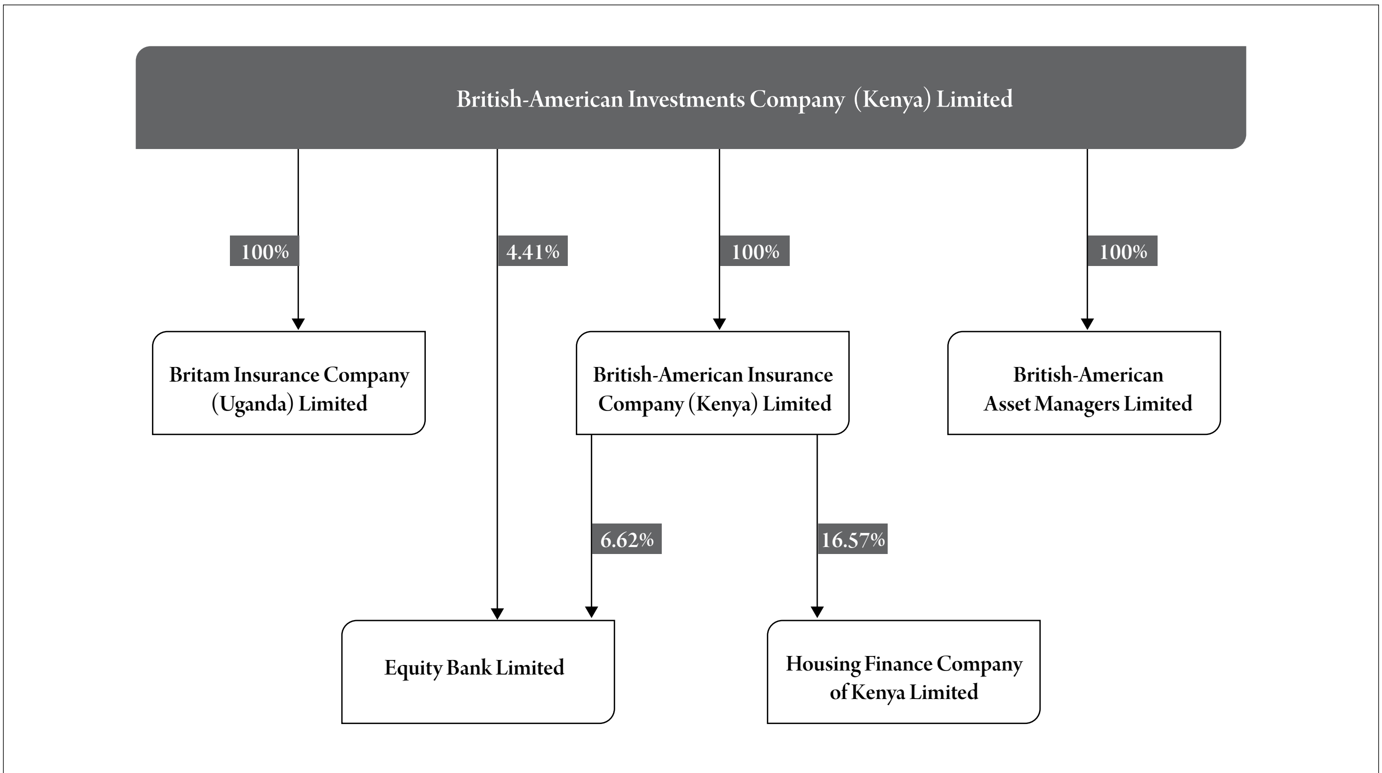
Table 14: Milestones

Year	Key event
1965	British-American Insurance Company Ltd, Bahamas, commences operations in Kenya as a branch with the opening of the first district office in Nairobi, selling home service or debit insurance to the low income market segment.
1979	Local company incorporated and subsequently assumes the life business portfolio of the branch operations.
1984	Local Kenyan investors acquire 33.33% of the shareholding in line with government directives. Sale of ordinary life insurance products commences.
1993	Insurance Company diversifies its product offering by commencing group life insurance and pension business.
1996	The Insurance Company becomes a fully fledged composite insurance company selling all classes of life and non life insurance.
2004	Group is restructured following incorporation of the Company and Asset Management. Through a share swap both the Insurance Company and Asset Management Company become 100% beneficially owned by the Company. The Group acquires a strategic equity stake in Equity Bank.
2006	Local investors acquire an additional 30% stake in the Company.
2007	Initial 4.9% stake acquired in Housing Finance Company of Kenya Limited.
2008	Bonus issue of Ordinary shares of Kshs 50 million and Kshs 100 million for Life Business and General Business respectively, increasing the total capital of the Insurance Company to Kshs 150 million (Life) and Kshs 300 million (General Business).
2010	Britam Insurance Company (Uganda) Limited is incorporated on 26 July 2010 and later licensed by the Uganda Insurance Commission commencing business on 24 November 2010.

8.3 Group Structure

The structure of the British-American Group (including key strategic investments) is as follows:

Group structure



8.4 British-American and its Subsidiaries

The operational subsidiaries of the British-American Group are 100% owned by the Company.

British-American is one of Kenya's most successful financial services groups, with operations in composite insurance and asset management. The Group has the largest individual life business in Kenya. The Group's core business is carried out through its three wholly beneficially owned subsidiaries namely: the British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited and Britam Insurance Company (Uganda) Limited.

8.4.1 British-American Insurance Company (Kenya) Limited ("Insurance Company")

The Insurance Company has been in existence in the Kenyan market since 1965, initially a foreign owned branch but later incorporated as a Kenyan company in 1979. Over the years it has demonstrated steady, cautious and profitable growth focused on geographically spread coverage of the Kenyan market.

The Insurance Company underwrites a full range of life and non-life insurance risks other than aviation and industrial life assurance. It is one of the largest underwriters of combined life business (Group Life, Ordinary Life, Unit-Linked Life and Deposit Administration)[16]. The general insurance business has grown significantly, achieving a premium income of approximately Kshs 1.6 billion in 2010. The Insurance Company has established brand leadership in the East African insurance industry based on quality, reliability and distinction. This reputation is founded on brand equity management including the decision to build a robust, sustainable business founded on sound technical results that attest to the skill of its human capital, a deep understanding of the markets and the needs of business partners and customers. This approach has resulted in leadership in underwriting profits[17].

Leveraging on its competencies and the distribution infrastructure of its strategic partners Equity Bank and Housing Finance, the Insurance Company has pioneered the development of micro-insurance. It is confident that it can further develop micro-insurance as the next major insurance market in Kenya and has developed a new range of products that will underpin a suitably structured micro-insurance business model in a new division. This product and service offering is expected to drive growth of its long term and general business.

The Insurance Company has 14 branches, 5 located in Nairobi (two branches in Ambank House 10th and 19th floors on University Way, Timau Plaza on Argwings Kodhek Road, Phoenix House on Kenyatta Avenue and Soin Arcade in Westlands) and 9 upcountry (Mombasa, Nakuru, Kisumu, Nyeri, Eldoret, Kisii, Thika, Embu and Meru).

8.4.1.1 Insurance Success Factors

Strong distribution network

The Insurance Company has developed a network of 14 branches with over 1,000 agents spread across the country. The Company's acumen in training and managing its agents has led to it being recognised and acknowledged as the industry leader in Kenya. This is evidenced by the receipt of the prestigious AKI Company of The Year Award for the last four consecutive years.

Going forward, the strategy will be to further improve on the strong distribution network locally and to rely on the widening of the Group's geographical reach in neighbouring East African markets. The Company will also seek to increase the number of trained agents/financial advisors empowered with the latest knowledge based tools to increase productivity and help grow its market share further.

Differentiated approach and innovative products

In keeping with its core strategy of catering for the needs of market segments not adequately serviced by other providers, the Insurance Company has a tradition of introducing innovative new products that resonate with certain segments of the Kenyan market. For example, the Insurance Company was one of the first to introduce education plans tailored to meet the needs of Kenyans and contribute towards the costs of schooling.

This heritage of innovation continues to the current day, with the launch of micro-insurance products such as Kinga Ya Mkulima, catering to the needs of tea farmers.

People

The Insurance Company is managed by well qualified, experienced and dedicated directors and management who will continue using their knowledge of the Kenyan Financial Services landscape to provide its clients with the necessary protection and security of their investments. The management of the Insurance Company are at the forefront of development of the insurance industry in Kenya. This is evidenced by the fact that its managing director is the current Chairman of the Association of Kenyan Insurers, a post also held by the previous managing director. In addition, other senior management have received accolades such as the Manager of the Year Award 2008 by the Kenya Institute of Management.

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[16] *Report of the Insurance Regulatory Authority 2009*
[17] *AKI Report 2009*

British-American Insurance Company was also one of the first to establish an actuarial department headed by a fully qualified actuary. It has since added another fully qualified actuary to the team.

Its ICT team has won several industry awards including the Think Business ICT Award 2009 and the Computer Society of Kenya Insurance Industry Award 2010.

Information Technology

The Group has invested in a modern life administration system (iGAS) deployed on a web-enabled Oracle application and database. The system has been integrated with a quotation system (AI-iQuote) that streamlines the sales business process. This investment is a point of leverage for both efficiency and customer service and has enabled policy contracts to be issued on the same day at any branch in the country. This is a key financial tool used by Financial Advisors and helps them spend more time advising customers and provides a professional experience to them. It also provides critical information required for business and actuarial reporting. The iGAS system is in use in various parts of Europe and is supported from the United Kingdom.

Customer Service

In keeping with its mission statement to delight its customers with outstanding financial services, the provision of high quality customer service has been a critical factor in the Insurance Company's success, both to retail and corporate clients. In addition to tailoring products to the needs of the market, the Insurance Company focuses on timely service delivery factors such as point of sale provision of cover, post sales policy administration through call centres and the branch network, and fast claims settlement times.

Its success in this area is evidenced by the high number of multiple products held by its customers and the fact that many of the leading corporate brands in Kenya are its clients. In addition, the Insurance Company received the coveted Company of the Year Customer Orientation and Marketing Award 2010 from the Kenya Institute of Management.

Brand and Heritage

The Insurance Company's vision is 'to be the most trusted financial services provider' in the market. It enjoys a prestigious position which is derived from its track record of quality and service. It is the only insurance company to win the East African Superbrand 2009-2010 Award. This award specifically recognises quality, reliability and distinction. The Insurance Company and its customers have benefited from its international roots and financial strength.

Market Leadership

Currently, the Insurance Company is the leading insurer in individual life with a market share of 25.2%, the 5th largest in group life with a market share 10.0% and was placed 12 out of 36 businesses within the general insurance class with a market share of 3.37% as at end of 2009.

Life insurance has long been recognized for its ability to create, generate and distribute capital through the sale of long term insurance products and re-injecting accumulated savings of the population into the economy through mortgage loans and other investments in land and property development. The Company intends to pursue aggressively this long established strategy.

8.4.2 British-American Asset Managers Limited ("Asset Management Company")

British-American Asset Managers aspires to be the leading and most trusted investment advisory and asset management firm in the Eastern Africa region. The Asset Management Company was incorporated in April 2004 to fulfil a gap in the provision of quality fund management and investment advisory services to individual and institutional investors.

Since inception, Asset Management Company has grown to become the market leader in unit trusts in Kenya, and is ranked 1st in unit trust market share as at 31 December 2010.

8.4.2.1 Asset Management Critical Success Factors

Distribution

Efficient and quality distribution systems are key to success in this industry. This is particularly so for unit trusts and investment funds business. Asset Management Company uses a variety of distribution channels, including the Group's wide agency distribution network as well as tied and independent financial advisors.

Investment process

Asset Management Company has a rigorous investment appraisal process aimed at achieving consistent, superior long-term performance in line with its philosophy of value investing. Asset Management Company's management believes that quality investment decisions can only be made on the basis of first rate research and quality information. As such Asset Management Company dedicates significant time and resources to investment research and analysis.

Information Technology

Asset Management Company has invested in Advent Portfolio Exchange (APX), a state-of-the-art Investment Administration and Fund Management Applications Software that fully integrates the back office operations of portfolio/fund management, accounting and reporting, with the front office functions of prospecting, marketing and client relationship management. APX is a 'best-of-breed' enterprise application used by over 18,000 Fund Managers in over 50 countries worldwide, to enhance the efficient execution of investment decisions and administration of client investment accounts.

Client Services

Asset Management Company's distinction lies in being nimble, flexible and innovative, and giving clients a high level of professionalised service. Asset Management focuses on providing world-class investment and comprehensive, bespoke solutions to both individual and institutional investors, as reflected in the diversified product range and services provided to its clients. Asset Management Company's management believes in providing access to comprehensive and timely portfolio information, and has harnessed the latest technology to bring this information to the clients more efficiently.

People

Asset Management Company recruits and retains outstanding, highly motivated staff and invests in their professional development. It promotes entrepreneurial flair, the freedom to operate within the context of a clearly defined risk framework and places emphasis on accountability of individuals. This environment promotes the ongoing creativity and innovation needed to achieve high returns for clients' portfolios and to drive growth.

Currently, the managing director chairs the industry body, the Association of Collective Investment Schemes (ACIS), and has facilitated collaboration of key initiatives and growth of the industry. In addition, Asset Management Company was awarded the Unit Trust of the Year Award at the 2011 Think Business Capital Markets Awards.

Portfolio Performance

The investment funds designed and launched by Asset Management Company have registered impressive performance since their inception: a reflection of the robust and quality investment structure and philosophy employed by the investment team. As an example, the British-American Equity Fund registered a return of 63.5% from inception in July 2005 to 28 February 2011, against a return of 3.0% registered by the Nairobi Stock Exchange (NSE)-20 Share Index during the same period.

Market Confidence

As a result of the above critical success factors, we have earned the confidence and trust of the market as evidenced by growth in market share and market ranking.

8.4.3 Britam Insurance Company (Uganda) Limited ("Britam")

Britam obtained its trading licence in Uganda in November 2010 to transact both Life and General classes of insurance. Within a few months of entry, it has managed to entrench itself as a significant player in the Ugandan insurance market, riding on the success and strong brand image of the parent Company. Britam has recorded strong support particularly from leading brokers and insurance companies (i.e. facultative insurance business) within the first few months of trading.

Uganda's insurance market potential is enormous and Britam Insurance is poised to deploy innovative market penetration strategies that will propel it to be amongst the top tier insurance players in the medium term. Currently, insurance market penetration stands at a paltry 0.59%[18]. There are 22 registered insurance companies only while the total gross insurance premium (life and general) stands at approximately the equivalent of Kshs 8.0 billion.

Britam is regulated by the Uganda Insurance Commission (UIC).

8.4.4 Strategic Equity Investments

As at the date of this Prospectus the Group holds an 11.03% strategic equity investment in Equity Bank (31 December 2010 – 11.05%), and a 16.57% equity stake in Housing Finance (31 December 2010 – 12.55%) (the largest mortgage finance provider in East Africa).

Equity Bank has evolved from a Building Society to a publicly listed commercial bank. With more than 6.5 million accounts, Equity Bank holds over 52% of all bank accounts in Kenya, making it the largest bank in the region in terms of customer base. It is one of the most capitalised banks in the region and has received both local and global accolades for its unique and transformational financial model. The bank is credited with extending banking services to a wider demographic population through its accessible and flexible microfinance service provision.

[18] *Source: Uganda Insurance Commission Annual Report 2009*

8.5 Regulatory Environment

The Company will be regulated by the rules of the Capital Markets Authority (CMA) and the NSE subsequent to the Offer.

The Insurance Company is regulated by the Insurance Regulatory Authority (IRA). The conduct of insurance business is governed by the Insurance Act Cap. 487. In addition to the Insurance Regulatory Authority, the pension business under the Insurance Company is regulated by the Retirement Benefits Authority (RBA) in accordance with the Retirement Benefits Act 2000.

Asset Management is regulated by the CMA in accordance with the Capital Markets Act and The Capital Markets (Licensing Requirements) (General) Regulations 2002 as well as the Retirement Benefits Authority (RBA) in accordance with the Retirement Benefits Act 2000.

Britam is regulated by the Uganda Insurance Commission in accordance with The Insurance Act of Uganda and the Insurance Regulations 2002 of Uganda.

8.6 Share Capital

The Company

The authorised and issued share capital of the Company for each of the five years ended 31 December 2010 was Kshs 150,000,000 comprising of 30,000,000 ordinary shares of Kshs 5/= each.

By way of a shareholders resolution dated 17 June 2011 the shareholders of the Company resolved to split the then Kshs 5/= Ordinary Shares in the Company into 1,500 million Shares of Ten Cents (0/10) in the Company and further resolved to increase the authorised share capital of the Company by an additional 1,500 million new Shares of Ten Cents (0/10) in the Company.

The subsidiaries of the Company are all wholly beneficially owned.

The Insurance Company

The authorised, issued and fully paid up share capital of the Insurance Company are as follows:

Table 15: Authorised, issued and fully paid up Share Capital 31 December 2010, 2009 and 2008 for the Insurance Company

	31-Dec-10	31-Dec-09	31-Dec-08
Authorised Share Capital (Kshs'000s) comprising of 500,000,000 Ordinary Shares (Par value of Kshs 1 each)	500,000	500,000	500,000
Issued and fully paid Share Capital (Kshs'000s)	480,000	480,000	450,000
Number of Issued Ordinary Shares in 000s	480,000	480,000	450,000

The Insurance Company increased its issued share capital in 2009 by issuing an additional 30,000,000 ordinary shares with a par value of Kshs 1 each.

Table 16: Shareholders of the Insurance Company

Shareholder	Number of shares
British American Investments Company (Kenya) Limited	479,999,995
British-American Asset Managers Limited	5
	480,000,000

Asset Management Company

The authorised, issued and fully paid Share Capital of Asset Management Company is as follows:

Table 17: The authorised, issued and fully paid share capital of Asset Management Company

	31-Dec-10	31-Dec-09	31-Dec-08
Authorised, Issued and fully paid Share Capital (Kshs'000s) with a Par value of Kshs 5 each	80,000	80,000	30,000
Number of Ordinary Shares in 000s (Par value of Kshs 5 each)	16,000	16,000	6,000

The authorised and issued share capital was increased from Kshs 30 million to Kshs 80 million in 2009 by the creation of an additional 10 million ordinary shares with a par value of Kshs 5 each. The shareholding in Asset Management Company is as follows:

Table 18: Shareholders of Asset Management Company

Shareholder	Number of shares
British American Investments Company (Kenya) Limited	15,999,998
Dominic Mwangi Kiarie	1*
Benson Irungu Wairegi	1*
	16,000,000

**shares held in trust for the Company*

Britam

The authorised, issued and fully paid share capital of Britam in Uganda is as follows:

Table 19: Authorised, Issued and fully paid Share Capital

	Number of shares
British American Investments Company (Kenya) Limited	55,990
Benson Irungu Wairegi	10*

**shares held in trust for the Company*

Britam commenced operations in November 2010. All shares are held by the Company save for ten ordinary shares held by Mr Benson Irungu Wairegi as a nominee for the Company.

On incorporation on 26 July 2010, the share capital was Ushs 2,790,000,000 divided into 2,790 shares of Ushs 1,000,000 each. On 14 September 2010, share capital of Ushs 2,790,000,000 divided into 27,900 shares of Ushs 100,000 each. On 14 September 2010, the share capital increased to Ushs 5,600,000,000 divided into 56,000 shares of Ushs 100,000 each.

8.7 Shareholding Structure

The Company's shareholding structure as at 31 December 2010, 31 December 2009, immediately before this Offer and post Offer are summarised as follows:

Table 20: Shareholding prior to the initial public offer, immediately before this Offer and post-Offer

	At 31-Dec-10 and 31-Dec-09		Pre IPO		Post-IPO	
Shareholder	Number of shares	% Shareholding	Number of shares	% Shareholding	Number of shares	% Shareholding
British American (Kenya) Holdings Limited	11,000,080	36.67%	452,504,000	30.17%	452,504,000	21.05%
Equity Holdings Limited	8,100,000	27.00%	405,000,000	27.00%	405,000,000	18.84%
Jimnah M. Mbaru	6,000,000	20.00%	300,000,000	20.00%	300,000,000	13.95%
Benson I. Wairegi	1,899,920	6.33%	99,496,000	6.63%	99,496,000	4.63%
Filimbi Ltd	-	-	90,000,000	6.00%	90,000,000	4.19%
Peter K. Munga	1,500,000	5.00%	75,000,000	5.00%	75,000,000	3.49%
James N. Mwangi	1,500,000	5.00%	75,000,000	5.00%	75,000,000	3.49%
Simon I. Wairegi	-	-	3,000,000	0.20%	3,000,000	0.14%
IPO shares	-	-	-	-	650,000,000	30.23%
Total	**30,000,000**	**100%**	**1,500,000,000**	**100%**	**2,150,000,000**	**100%**

Note:

- The ultimate owners of the British-American (Kenya) Holdings Limited, which effective from 17 June 2011 holds 30.17% (previously 36.67%) of the issued shares in British-American Investments (Kenya) Limited, are Dawood A. Rawat 85.2% and Joe L. McClaugherty 14.2%. Therefore both Dawood A. Rawat and Joe L McClaugherty at present own 25.7% and 4.47%, respectively of the British-American Investments Company (Kenya) Limited.

- Based on representation received from one the shareholders, Equity Holdings Limited which holds 27.0% shares in British-American Investments Company (Kenya) Limited, is wholly owned by Mr. Peter Kahara Munga (55.6%) and Mrs. Jane Wanjiru Michuki (44.4%).
- Filimbi Ltd which owns 6% shareholding in the Company is owned 50% by Mr. Peter Kahara Munga and 50% by Mrs. Jane Wangui Njuguna.
- The Company was incorporated with a share capital of Kenya Shillings ten million (Kshs. 10,000,000/=) divided into two million (2,000,000) shares of Kshs 5/= each.
- By an Ordinary Resolution passed On 18th December 2003 the issued share capital was increased by Kshs 148 million to Kenya Shillings one hundred and fifty million (Kshs.150,000,000) by the creation of twenty-eight million (28,000,000) new ordinary shares of Kshs 5/= each.
- By an Ordinary Resolution passed on 17 June 2011 the issued share capital of 30 million ordinary shares of Kshs 5/= each were subdivided into 1,500 million ordinary shares of Kshs 0.10/= each.
- By an Ordinary Resolution passed on 17 June 2011 the authorised share capital was increased by Kshs 150 million to Kshs 300 million divided into 3,000 million ordinary shares of Kshs 0.10/= each.

The Existing Shareholdings will be diluted by 30.23% through the issuance of the Offer Shares. The Existing Shareholders are free to take up Offer Shares.

8.8 Products

8.8.1 Insurance

As a composite provider, the Insurance Company aims to be a one stop shop for its customers. It offers an extensive range of products to serve the wide array of insurance and savings needs of its customers. The life insurance products include 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.

The types of general insurance covered by the Insurance Company include Fire, Theft, Motor, Workmen's Compensation, Group Personal Accident, Employee Liability, Liability (legal) and various Engineering insurances including such Contractor's (for contract works), Erection (for erection of machinery), Machinery Breakdown and Electronic Equipment Insurance. Marine insurance is also provided through Marine Hull (pleasure crafts) and Marine Cargo (goods and merchandise) insurance products. Personal lines of insurance provide cover to individuals.

In addition to a long established line of individual medical insurance products, the Insurance Company provides group medical insurance and micro-insurance products.

A summary of the product range is set out below:

Table 21: Summary of Products and Services

Line of Business	Products	Needs Served
Individual Life	Savings, Investment and Protection Covers	Life insurance Education Personal Accident Disability Critical Illness Last Expense
Group Life & Pensions	Savings, Investment and Protection Covers	Retirement Income Life Insurance Disability Critical Illness Loan & Mortgage Protection
Medical	Family & Corporate Covers	Hospitalisation Evacuation Out-Patient
General Insurance	Motor, Fire & Related Perils, Home, Marine, Engineering, Liability, Theft and Personal Accident	Protection of Assets
Micro-insurance	Funeral, Disability and Medical Covers	Protection requirements for low end aggregated market segments

Source: Management Information

8.8.2 Asset Management

8.8.2.1 Discretionary / Segregated portfolio management Service

The discretionary or segregated portfolio management service is a bespoke portfolio management service designed for institutional investors who seek to optimize returns on their investment portfolios. This is achieved through active trading, liquidity management, professional portfolio construction, monitoring and reporting, and the employment of rigorous risk management techniques. This service is tailored to the diverse needs of institutional clients such as pension funds, charities, Non-Governmental Organisations (NGOs) and endowment funds.

8.8.2.2 Wealth Management Services

Asset Management's Wealth Management Service focuses on providing bespoke, personalized service that creates and manages wealth for individual investors. Asset Management critically evaluates personal, market and aspiration risk while constructing an optimal portfolio based on the client's objectives.

The product development process involves:

- Thorough market research;
- Customer satisfaction surveys, customer service reports, customer visits and regular feedback; and
- Achieving convenience of delivery through the Group's extensive branch network.

8.8.2.3 British-American Unit Trust Funds

British-American Unit Trust Funds are designed to provide a range of investment products that serve customers with diverse risk appetites and investment profiles. Currently, there are five unit trust funds on offer. The risk profile, investment objective and investment policy of each of the five funds is as shown below:

Table 22: Summary of the investment funds

Investment Fund	Risk Profile	Investment Objective	Investment Policy
British-American Money Market Fund	Low	• High short term current income • Preservation of capital • Capital appreciation	High quality fixed income securities of various terms
British-American Income Fund	Low to medium	• High level of current income • Preservation of capital • Capital appreciation in the short to medium term	High quality fixed income securities of various terms
British-American Managed Retirement Fund	Medium	• Long term capital growth • Reasonable level of income • Maintain a balanced investment portfolio	Diversified mix of equities of quality businesses listed on the local and international exchanges High quality fixed income securities
British-American Balanced Fund	Medium	• High level of current income • Capital appreciation • Ensure stability by limiting downside risk over the medium term	Diversified mix of equities of quality businesses listed on the local and international exchanges High quality fixed income securities
British-American Equity Fund	Aggressive	• Protect capital • Achieve superior returns over the long term	Diversified mix of equities of quality businesses listed on the local and international exchanges

Source: Management Information

8.9 Drivers of Change in the Group's Markets

There are a number of factors that are driving change in this industry:

- **Clients**
  Clients are becoming more sophisticated, developing a better understanding of the industry and are becoming more demanding. They expect better service and performance. The Group is responding to this challenge by conducting regular customer research and deploying customer satisfaction metrics;

- **Competition**
  The number of competitors in the Group's various markets is growing. The new players are introducing new products as well. By establishing a dedicated innovation unit, the Group has risen effectively to this challenge;

- **International investors**
  International investors are showing a strong interest for investing in African financial markets as the latest emerging frontier of investments. The interest is further strengthened as investors seek diversification options as a result of slow global growth;

- **Demographics**
  The Group has devoted resources to addressing the needs of new demographic sectors such as youth and lower income groups. For example it is focusing on addressing the informal market estimated to be about 14 million people in addition to focusing on the existing customer segment it has historically targeted consisting of only 2 million people in formal employment;

- **Technology**
  Wide access to mobile telephony and its ancillary benefits has brought Kenyans into the internet age and revolutionised financial transactions. The Group is responding to the opportunities which are emanating from this new level of access. For example, claims settlement can now be made through Mpesa and communications to customers and agents can be sent via SMS messages; and

- **Legislation**
  The Group's markets are characterised by a high degree of government regulation. In addition reporting standards continue to evolve to meet international norms. These factors are significant drivers of change and compel the Group to anticipate and pre-adopt industry best practice prior to being forced to do so by legislation.

8.10 Other Markets

Property Market Strategy

British-American has a track record of successfully developing prime property as part of the investment strategy of its Life Fund. The properties developed include: Britak Centre at Upper Hill, Apple Walk Park on Ngong Road, Thompsons Glade Apartments on Mbaazi Avenue and Hurlingham Park on Argwings Kodhek Road, all located in Nairobi.

The property market has continued to grow and key sectors of the market have provided strong capital appreciation and yields in recent past. The Directors and Management team believe that there are excellent opportunities in key sectors of the property market for both capital gains and rental yields.

As a key player in the Financial Services Industry, the Group intends to exploit key opportunities in the property market through appropriate structures in order to continue to deliver strong returns to its investors.

Proposed Strategy

From the funds raised during the IPO, the Group intends to commit Kshs 2.5 billion into real estate investment and development. It plans to invest in land, large scale development, including both commercial and affordable housing, allied with the provision of innovative financial products to assist potential homeowners.

Real Estate Fund: The investment strategy of the proposed Real Estate Fund will focus on investing in or alongside professional developers who develop assets complying with global quality standards, focusing on value enhancement and investing in high growth cities and towns in the region.

Land Bank: The investment in the land bank will consist of investing in vacant land that is likely to be ready for development in the next 3 to 5 years.

8.11 Customer Profile

8.11.1 Insurance Company

Ordinary Life

The Insurance Company's focus historically has been on the following socio-economic classes:

- middle class level represented by well educated (with minimum of high school), working as high school teachers, and middle to senior officers and managers in both the private and public sectors including proprietors of medium to large formal business organisations.
- working class level comprising of both public and private sectors and owners and managers of small formal business organisations.

The Insurance Company has 64,393 individual life policies in force in 2010.

Group Life, General and Medical business

The Insurance Company insures parastatal organisations, large, medium and small enterprises who seek a quality, reliable underwriter. The business is transacted through reputable insurance brokers.

Pensions

The Insurance Company insures parastatal organisations, large, medium and small enterprises who seek a quality, reliable underwriter and also micro and small enterprises and individuals who are candidates for membership of the Insurance Company's umbrella retirement benefits funds and our individual pension products.

Micro-insurance Market

The customers are micro-enterprises and umbrella organizations that bring together economically productive individuals of the lower income group in informal, agricultural, commercial and other sectors who otherwise lack access to insurance services.

8.11.2 Asset Management Company

Asset Management Company currently services over 4,000 clients as outlined below:

Table 23: Number of clients, Asset Management Company

Fund	31 December 2010	30 April 2011
Equity Fund	2,139	1,831
Balanced Fund	658	600
Money Market Fund	1,171	1,278
Income Fund	285	329
Managed Retirement Fund	42	42
Others (inc. Wealth Management & Discretionary Management)	22	24
Total	4,317	4,104

Source: Management information

The customer profiles for the funds are summarised as follows:

- The Equity Fund, Balanced Fund, Money Market Fund and the Income Fund are largely for retail or individual investors and a few institutions.
- The Managed Retirement Fund comprises open non-registered pension schemes that are not registered under the Retirement Benefits Authority.
- Wealth Management is targeted at high net worth and sophisticated individuals.
- The customers under Discretionary Management represent registered retirement benefit pension schemes.

8.12 Geographical Spread

The Group currently has fourteen branches. These branches are situated in the country's economic heartland, and cover approximately 70% of the population.

Location of Branches

Current Branches: Nairobi x5, Nakuru, Eldoret, Kisii, Kisumu, Thika, Meru, Embu, Nyeri, Mombasa. The Uganda operation a full subsidiary of the Company. The proposed branches in Tanzania, Rwanda and South Sudan will be fully owned subsidiaries of the Company.

Source: Management Information

9. Group Financial Summary

9.1 Group Performance

The Group's audited profit and loss account for each of the five years to 31 December 2010 is summarised below:

Table 24: Group audited profit and loss account

	31-Dec-10 Kshs'000	31-Dec-09 Kshs'000	31-Dec-08 Kshs'000	31-Dec-07 Kshs'000	31-Dec-06 Kshs'000
Gross earned premiums	4,333,428	3,782,606	3,167,289	2,509,775	2,018,213
Less: reinsurance premium ceded	(674,672)	(504,552)	(376,378)	(501,311)	(385,426)
Net earned premiums	**3,658,756**	**3,278,054**	**2,790,911**	**2,008,464**	**1,632,787**
Fund management fees	195,852	118,404	153,683	150,666	68,313
Net earned premiums and management fee	**3,854,608**	**3,396,458**	**2,944,594**	**2,159,130**	**1,701,100**
Investment income	4,684,634	196,169	509,137	2,492,568	1,109,349
Commissions earned	209,514	176,739	196,611	160,986	102,910
Other income	220,439	32,135	35,105	37,317	18,454
Net income	**8,969,195**	**3,801,501**	**3,685,447**	**4,850,001**	**2,931,813**
Claims and policy holder benefits payable	4,084,669	2,134,171	1,718,322	1,571,564	1,578,183
Less: amount recoverable from reinsurers	(266,562)	(160,676)	(156,268)	(154,502)	(141,610)
Net claims payable	**3,818,107**	**1,973,495**	**1,562,054**	**1,417,062**	**1,436,573**
Operating and other expenses	1,316,822	1,222,876	921,790	695,205	595,329
Commissions payable	960,677	939,464	861,536	625,556	413,546
	2,277,499	**2,162,340**	**1,783,326**	**1,320,761**	**1,008,875**
Profit/(Loss) before income tax	**2,873,589**	(334,334)	340,067	**2,112,178**	486,365
Income tax expense	(159,805)	(86,789)	(97,500)	(83,946)	(42,066)
Profit /(Loss) for the year after tax	**2,713,784**	(421,123)	**242,567**	**2,028,232**	**444,299**
Dividends proposed/paid	**200,000**	**120,000**	**120,000**	**120,000**	**60,000**

Source: British-American Group audited financial statements

The Group made a profit before tax of Kshs 2.87 billion as compared to a loss before tax of Kshs 334 million in 2009. This positive performance was the result of unrealised fair value gains on equity investments amounting to Kshs 3.56 billion in 2010 compared to unrealised fair value losses of Kshs 574 million included in 2009. This outcome is a reflection of the good performance of the Stock Market during the year.

The insurance business registered a 15% growth in gross earned premium income from Kshs 3.8 billion in 2009 to Kshs 4.3 billion in 2010.

The Group's gross income increased from Kshs 3.9 billion to Kshs 4.5 billion during the year, representing a growth of 16% despite the challenging external environment.

Total operating costs were up 7% to Kshs 1.3 billion from Kshs 1.2 billion reflecting the Group's investment in its human capital, infrastructure and technology in support of the planned growth.

The detailed financial performance and position is disclosed in Appendix 3 'Accountants Report'.

The Group's audited Balance Sheet for each of the five years to 31 December 2010 is as follows:

Table 25: British-American Group Balance Sheet

	31-Dec-10 Kshs'000	31-Dec-09 Kshs'000	31-Dec-08 Kshs'000	31-Dec-07 Kshs'000	31-Dec-06 Kshs'000
Shareholders' funds	10,569,980	5,207,098	6,447,466	5,738,854	1,366,051
Total assets	25,361,917	16,315,807	15,077,656	12,227,043	6,794,191
Total liabilities	14,791,937	11,108,709	8,630,190	6,488,189	5,428,140

The Group had shareholders funds in excess of Kshs 10.5 billion as at 31 December 2010 (Kshs 5.2 billion in 2009) and the Group's total assets amounted to Kshs 25.3 billion (Kshs 16.3 billion in 2009). This represents tremendous growth from shareholders funds of Kshs 1.3 billion and total assets of Kshs 6.8 billion in 2006 without any injection of fresh capital.

Total assets under management grew from Kshs 25 billion as at 31 December 2009 to Kshs 43 billion as at 31 December 2010 largely due to increase in fair value of investments.

Assets under management in the investment advisory and fund management business grew by 105% to Kshs 17.3 billion up from Kshs 8.4 billion in 2009.

9.2 Subsidiaries' Performance

The financial performance and position of the Insurance Company and Asset Management Company is summarised below. Britam in Uganda commenced operations on 24 November 2010 and therefore the financial performance and position has not been analysed.

9.2.1 Insurance Company

The audited summary profit and loss account for the combined long-term and short-term insurance business of the Insurance Company for each of the five years to 31 December 2010 are as follows:

Table 26: Insurance Company profit and loss account, combined business

Combined Business Profit & loss A/c	**2010 Kshs'000**	**2009 Kshs'000**	**2008 Kshs'000**	**2007 Kshs'000**	**2006 Kshs'000**
Net earned premiums	3,658,756	3,278,054	2,790,911	2,008,464	1,632,787
Net Income	**6,764,308**	**4,328,483**	**3,452,561**	**3,060,225**	**2,594,223**
Net claims payable	3,818,108	1,973,495	1,562,054	1,417,062	1,436,573
Total expenses and commissions	1,908,952	1,851,131	1,516,842	1,131,412	905,774
Profit before tax	**1,037,248**	**503,857**	**373,665**	**511,751**	**251,876**
Income tax expense	(145,642)	(100,486)	(95,879)	(81,133)	(42,066)
Profit for the year after tax	**891,606**	**403,371**	**277,786**	**430,618**	**209,810**

Premiums have continued to grow due to new business underwritten, introduction of new products such as bancassurance and enhanced business relationships with brokers and agents. Coupled with a good track record of claim settlement, policyholders have continued to give business to British-American.

The profit before tax increased to Kshs 1.04 billion from Kshs 504 million in 2009 representing an increase of 106%. Long term business contributed Kshs 327 million while general business contributed Kshs 711 million to the profit before tax.

Investment income has registered high returns due to the good performance of the Nairobi Stock Exchange, which has recovered from the impact of the post-election violence in 2008 and the economic meltdown.

Claims have increased when compared to 2008 and 2009 levels due to increased underwriting of the motor business class which has in turn recorded the highest level of claims.

The core business of underwriting contributed Kshs 170 million in profits representing 17% of the profits before tax. The main contributor to the profits was the fair value gains on financial assets which contributed Kshs 1.53 billion.

The Insurance Company had a gross premium valuation surplus in excess of Kshs 1.8 billion as at 31 December 2010.

The key operating and financial ratios for the Insurance Company for the years 2006 to 2010 are summarised below:

Table 27: Key operating ratios – British American Insurance Company (Kenya) Limited

	2006	2007	2008	2009	2010
Gross Premium Growth	24%	31%	46%	46%	23%
Reinsurance Ceded/Gross Premium	48%	47%	21%	21%	23%
Net Earned Premium Growth (%)	37%	43%	86%	60%	27%
Net claims incurred Growth (%)	41%	75%	88%	98%	27%
Loss Ratio (Net Claims incurred/Net Earned Premium)	42%	51%	52%	64%	64%
Claims paid ratio	36%	37%	35%	19%	30%
Claims outstanding at year end/Net Claims incurred	84%	71%	61%	87%	103%
Claims outstanding at year end/Gross Premium	16%	18%	19%	38%	46%
Investment Income Growth (%)	144%	85%	-78%	22%	688%
Management expenses/Net Earned Premiums	35%	27%	20%	18%	14%
Underwriting profit	61,560	76,978	105,122	80,079	150,421
Underwriting profit/Net Earned Premium	27%	23%	17%	8%	12%

A comparison of industry performance to the performance of British-American Insurance Company (Kenya) Limited for the year 2009, actual for 2010 and projections for the years 2011-2015 are summarised below.

Table 28: Key ratios – British American Insurance Company (Kenya) Limited and insurance industry

	Industry	Insurance Company						
	2009	2009	2010	2011	2012	2013	2014	2015
General Business								
Gross written premium growth	17%	46%	23%	30%	20%	20%	20%	20%
Loss ratio	62%	64%	64%	66%	64%	64%	64%	64%
Underwriting profit as a percentage of gross premium	1%	6%	8%	6%	9%	10%	10%	10%
Long-term business								
Life premiums growth rate	13%	7%	7%	33%	30%	24%	21%	19%
Expenses as a percent of gross premium income and deposit administration contribution	19%	22%	22%	22%	20%	19%	18%	18%
Profit before tax as a percentage of gross premiums and deposit administration contributions	7%	10%	9%	6%	4%	2%	3%	3%
Overall Insurance Company performance								
Return on equity (profit before tax/shareholders funds)	17%	12%	14%	7%	6%	6%	7%	7%
Return on equity (profit after tax/shareholders funds)	13%	10%	12%	5%	4%	4%	5%	5%

The audited summary Balance Sheets for the combined long-term and short-term insurance business of the Insurance Company for each of the five years to 31 December 2010 are as follows:

Table 29: Insurance Company Balance Sheet, combined business

Combined Business Balance Sheet	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Shareholders funds	7,403,624	4,225,707	4,654,177	3,910,348	1,144,292
Total assets	21,423,168	14,504,081	12,472,893	10,251,754	6,554,774
Total liabilities	14,019,544	10,278,374	7,818,716	6,341,406	5,410,482

The shareholders funds have increased to Kshs 7.4 billion in 2010 from Kshs 1.1 billion in 2006. The Insurance Company's share capital base was enhanced in 2008 to Kshs 480 million from Kshs 300 million in 2007 in a decision made by the Board. This has greatly increased its ability to underwrite more business, particularly general insurance through acquiring major corporate accounts.

Total assets grew to Kshs 21.42 billion from Kshs 6.6 billion in 2006 representing growth of over 225% (CAGR of 34%). The growth in total assets between 2009 and 2010 is 48% attributed to exceptional investment income and the extraordinary contribution from bottom of the pyramid channel partner, Equity Bank.

9.2.2 Asset Management Company

The audited summary profit and loss account for Asset Management Company for each of the five years to 31 December 2010 are as follows:

Table 30: Profit and loss account, Asset Management

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Revenue	195,870	118,423	161,357	156,086	68,313
Direct operating costs	(16,763)	(14,627)	(42,860)	(52,224)	(25,925)
Gross profit	**179,107**	**103,796**	**118,497**	**103,862**	**42,388**
Investment income	3,899	3,666	2,978	2,392	4,300
Administrative and other business costs	(159,237)	(150,062)	(119,187)	(95,278)	(44,294)
Profit/(Loss) before tax	**23,769**	**(42,600)**	**2,288**	**10,976**	**2,394**
Tax (charge)/credit	(10,873)	16,416	(75)	(2,813)	753
Profit/(Loss) after tax	**12,896**	**(26,184)**	**2,213**	**8,163**	**3,147**

The Asset Management's revenue is derived from initial fees and annual management fees charged based on the funds under management.

From 2006 to 2008, the Asset Management's revenue has grown in line with the growth in the assets under management. However, the growth in 2007 was higher than that in 2008 due to the lower volume of activities caused by post election violence during the months of January and February 2008 which disrupted the business, and the adverse impact of severe falls in stock markets during Quarters 3 and 4 which led to reduced new investment and therefore lower fees. The effects of the global recession in 2009 have significantly contributed to the drop in revenue during the period, as it has led to reduced investor confidence.

Total new business production was Kshs 7.8 billion, with Kshs 1.5 billion of new fund sales compared to Kshs 2 billion achieved in 2009. The reduction in new fund sales was due to a low appetite for investing in equity markets.

Assets under management during the year grew by 104% to Kshs 17.3 billion from Kshs 8.5 billion in 2009, of which Kshs 9.07 billion (or 52%) comprised of unit trust funds, and the balance of Kshs 8.3 billion on funds under segregated management.

The summarised audited Balance Sheets for Asset Management for each of the five years to 31 December 2010 are as follows:

Table 31: Balance Sheet, Asset Management business

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
	Kshs'000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Total shareholders' funds	60,660	47,764	23,947	21,734	13,571
Total assets	136,980	120,182	105,891	99,709	88,050
Total current liabilities	(24,985)	(16,585)	(31,944)	(27,975)	(24,479)
Total non-current liabilities	(51,335)	(55,833)	(50,000)	(50,000)	(50,000)
Net assets	60,660	47,764	23,947	21,734	13,571

Asset Management's share capital was enhanced from Kshs 30 million in 2008 to Kshs 80 million in 2009. This was however offset by decrease in shareholders' funds in 2009, attributable to the declining performance of the stock market as a result of the global financial crisis and a lower appetite for investing in the equity market. The year 2010 recorded renewed performance of the equities and bond market.

9.3 Current Performance of the Group

The un-audited consolidated management accounts for the four months period ended 30 April 2011 are set out in Appendix 4 of this Prospectus.

10. Corporate Governance, the Board of Directors and Staffing

10.1 Corporate Governance

The Group is managed by the Board of Directors of the Company and is committed to the principles of integrity and accountability to all stakeholders.

10.1.1 Shareholders' responsibilities

The Shareholders' role is to appoint the Board of Directors and the external auditors. This role is extended to holding the board accountable and responsible for efficient and effective governance. The Shareholders have been exercising this role in the Annual General Meeting.

10.1.2 Board's responsibilities

The Board of Directors determines the British-American's strategic objectives, values, key policies and procedures in accordance with best practice. The Board has delegated the authority for day-to-day management of the Group to the Group Managing Director.

However, the Board retains overall responsibility for the Group's financial performance, compliance with laws and regulations, monitoring and operations as well as ensuring competent management of the business.

Although the Board is responsible for the management of the Group, it has delegated the detailed discussions on audit, investments, risk and compliance, compensation and nomination to five sub-committees which have specific and detailed terms of reference as summarised below.

10.1.3 Composition of the Board of Directors

The Board has six members, comprising of five Non-Executive Directors and the Group Managing Director. The Board meets at least once every quarter and is chaired by a non-executive chairman.

The Board retains full responsibility for the direction and control of the Group.

10.1.4 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 an ad hoc basis are considered.

Apart from the Executive Directors, no other director or party related to a Director has a service contract or receives compensation from the Group. Sitting allowances to the Directors are only paid subject to attendance at the quarterly Board/Committee meetings.

The emolument and fees paid to Directors are disclosed in section 12.5.

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 QED Actuaries and Consultants Pty/Aon Hewitt Actuarial acts as the Insurance Company's statutory actuary responsible for independently examining the financial soundness of the Insurance Company. The actuary reports independently and directly to the Board.
  Mr Richard Leiser-Banks of Triangle Actuarial Services provides actuarial services in regard to the British-American Group employee pension scheme.
- **Investment management services:** The management and investment of the Group's funds is undertaken by British-American Asset Managers Limited. The board closely monitors the performance of the funds.
- **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:** The Group is developing an Enterprise Risk Management Framework with the assistance of Deloitte Consulting Limited.

10.2 Board Committees and Terms of Reference

10.2.1 Audit Committee

The Audit Committee meets twice a year and is chaired by a non-executive director. Its primary responsibilities are (a) to monitor and strengthen the effectiveness of internal and external audit functions, as well as underlying information and internal control systems (b) to review and recommend to the Board all published financial information issued by the Group.

The Audit Committee regularly reviews the internal controls and the effectiveness of financial and operational reporting through the internal audit function and ensures that the function is independent, adequately resourced and well equipped to carry its duties.

The Audit Committee is responsible for ensuring that financial statements give a true and fair view of Group's state of affairs. The members ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. The Audit Committee is also charged with the responsibility of safeguarding the Group's assets.

The Audit Committee reports to the Board at least twice a year or as and when required and continually evaluates the ability of the Group to continue as a going concern. The Group Head of Internal Audit acts as the secretary of the committee and senior management regularly attend the Audit Committee meetings.

The members of the Audit Committee are:

- Mr. Jimnah M. Mbaru - Chairman
- Mr. Peter K. Munga
- Mr. Saleem R. Beebeejaun

10.2.2 Investments and Strategy Committee

The Investments and Strategy Committee meets as frequently as required, but at least once every quarter. Its primary responsibility is to determine the Group's investment strategy and policy. It also provides oversight on the real estate development projects undertaken by the Group and drives the strategy of the Group with regard to real estate developments.

The Committee monitors the performance of the Group's investment portfolio and scrutinises ad hoc investment proposals before submission to the Board. The Investment and Strategy committee monitors the performance of the appointed investment managers through quarterly reports from its managers.

The members of the Investment and Strategy Committee are:

- Dr. James N. Mwangi - Chairman
- Mr. Jimnah M. Mbaru
- Mr. Saleem R. Beebeejaun
- Mr Benson I. Wairegi

10.2.3 Risk and Compliance Committee

The Committee meets four times a year with the primary duty of monitoring the Group's compliance with the relevant laws and regulations and reviewing 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:

- Mr. Peter K. Munga - Chairman
- Mr. Saleem R. Beebeejaun
- Mr. Benson I. Wairegi

10.2.4 Compensation Committee

This committee meets at least twice a year. Its primary role is to appraise the performance of senior management and determine their remuneration. It also recommends the sitting allowance payable for Non-Executive directors.

The members of the Compensation Committee are:

- Mr. J. Nicholas Ashford-Hodges - Chairman
- Mr. Peter K. Munga
- Dr. James N. Mwangi

10.2.5 Nomination Committee

The Nomination Committee's role is to review and consider proposals for the appointment of new directors and senior management.

The members of the Nomination Committee are:

- Mr. J. Nicholas Ashford-Hodges - Chairman
- Mr. Jimnah M. Mbaru

10.2.6 Members of the Committees

The members of the various committees as at 31 December 2010 are as follows:

Table 32: Members of the various board committees

Board members	Board committees				
	Audit	Risk	Investment	Nomination	Compensation
J. Nicholas Ashford-Hodges				√	√
Peter K. Munga	√	√			√
Jimnah M. Mbaru	√		√	√	
Benson I. Wairegi		√	√		
James N. Mwangi			√		√
Saleem Beebeejaun	√	√	√		

10.3 Direct and Indirect Equity Investments of Directors

Directors with shareholding in the Company of at least 3% in the last three years preceding the date of this prospectus are as follows:

Table 33: Director shareholding- direct interest

	At 31-Dec-10 and prior three years		Current	
Shareholder	**Number of shares**	**% Shareholding**	**Number of shares**	**% Shareholding**
Jimnah M. Mbaru	6,000,000	20.00%	300,000,000	20.00%
Benson I. Wairegi	1,899,920	6.33%	99,496,000	6.63%
Peter K. Munga	1,500,000	5.00%	75,000,000	5.00%
James N. Mwangi	1,500,000	5.00%	75,000,000	5.00%
Total	**10,899,920**	**36.33%**	**549,496,000**	**36.63%**

The changes in the direct and indirect shareholding of the directors after 31 December 2010 and preceding the date of this prospectus are as follows:

Table 34: Director shareholding- direct interest and indirect interest

	Number of Shares as at 31-Dec-10 and prior three years	% shareholding	New acquisitions*	Revised number of shares prior to the share split	% Shareholding	Nu,mber of shares after the share split (50:1)
Equity Holding Ltd (Mr Peter K. Munga)	4,503,600	15.01%	-	4,503,600	15.01%	225,180,000
Jimnah N. Mbaru	6,000,000	20.00%	-	6,000,000	20.00%	300,000,000
Benson I. Wairegi	1,899,920	6.33%	90,000	1,989,920	6.63%	99,496,000
Peter K. Munga	1,500,000	5.00%	-	1,500,000	5.00%	75,000,000
James N. Mwangi	1,500,000	5.00%	-	1,500,000	5.00%	75,000,000
Filimbi Ltd (Mr Peter K. Munga)	-	-	900,000	900,000	3.00%	45,000,000
Filimbi Ltd (Mrs Jane W. Njuguna)	-	-	900,000	900,000	3.00%	45,000,000
	15,403,520	**51.34%**	**1,890,000**	**17,293,520**	**57.64%**	**864,676,000**

- Equity Holdings Limited is wholly owned by Mr. Peter Kahara Munga (55.6%) and Mrs. Jane Wanjiru Michuki (44.4%) and holds 27.0% shares in the Company. As such the indirect shareholding by Mr. Munga who is a director of the Company is 15.01%.
- Filimbi Ltd is owned 50% by Mr. Peter Kahara Munga and 50% by Mrs. Jane Wangui Njuguna. Filimbi Ltd holds 6% shareholding in the Company. As such the indirect shareholding by directors of the Company is 3.00% in the case of Mr. Peter Kahara Munga and 3.00% in the case of Mr. James Mwangi through Mrs. Jane Wangui Njuguna.

10.4 Board of Directors

The Directors of the main board of the Company are as follows:

Table 35: Directors of the main board

British-American main board	
J. Nicholas Ashford –Hodges Chaiman	J. Nicholas Ashford – Hodges aged 60 years is the Chairman of the Group and is independent of the Group. He was appointed a Director of the Board in the year 2002. He is a Fellow of the Institute of Chartered Accountants in England and Wales and holds an Honours degree in Engineering Science from Oxford University. As well as being President of British-American (UK) Limited, a representative office in the UK for the British-American group of companies, Mr. Ashford-Hodges is Vice Chairman of British-American Investment Co. (Mtius) Limited and Director of several other Boards and sub-committees of the British-American Group in Mauritius and Malta, where he also chairs GlobalCapital plc, which is listed on the Malta Stock Exchange.
Benson I. Wairegi Group Managing Director	Benson I. Wairegi aged 58 years is the Group Managing Director. He holds a Master of Business Administration degree and Bachelor of Commerce (Accounting Option) degree from the University of Nairobi and is a Certified Public Accountant CPA (K). Mr. Wairegi is the Vice Chairman of Equity Bank Limited and a Director of Housing Finance Company of Kenya Limited and Chairman of Kenyatta University Council. He is a former member of the board of trustees of the Insurance Training and Education Trust (ITET) and former Chairman of the Association of Kenya Insurers (AKI).

Peter K. Munga Non-Executive Director	Mr. Peter K. Munga aged 67 years acts as a Non Executive Director in all the companies within the Group. He is a Certified Public Secretary with vast experience in both public and private sector management and holds a diploma in Human Resources and Financial Management. Mr. Munga is a retired Deputy Secretary. Mr. Munga is the Chairman of Equity Bank Limited, Chairman of National Oil Corporation (NOCK), Chairman of Micro-Enterprise Support Programme Trust (MESPT), Chairman of Kenya Genetic Resource Centre (KAGRC), Chairman of Equatorial Nut Processors Ltd and Chairman of Fresho International Ltd. He is an enterprising businessman and runs the Pioneer Group of Schools.
Jimnah M. Mbaru Non-Executive Director	Mr. Jimnah M. Mbaru aged 63 years is a Non Executive Director and also holds similar positions in the Insurance Company and Asset Management. He 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. Mr. Mbaru is the Chairman of Dyer and Blair Investment Bank Limited and the Chairman of National Cereals and Produce Board and Jitegemee Trust among others. He is also a Director of several other financial and non financial institutions. As an internationally renowned investment banker, he has made immense contribution towards development in Africa. Some of his contributions are evident in the roles he has played in developing the capital markets in the continent through serving as a Chairman of The African Stock Exchange Association.
James N. Mwangi Non-Executive Director	Dr. James N. Mwangi aged 48 years is a Non Executive Director and also holds similar positions in the Insurance Company and Asset Management. He holds an Honorary Doctorate in Business Administration (Honoris Causa) from Kenya Methodist University, Doctor of Humane Letters (Honoris Causa) from Kenyatta University, and Doctor of Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology. He is also the holder of a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant CPA (K). Dr. Mwangi is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). Dr. Mwangi has wide experience in the banking industry spanning over 19 years. He is the Chief Executive Officer and Managing Director of Equity Bank Limited.
Saleem R. Beebeejaun Non-Executive Director	Mr. Saleem R. Beebeejum aged 44 years is a Non Executive Director. He is a fellow of the Chartered Institute of Insurance. He is also a graduate of the Advanced Management Programme (Harvard Business School) and has been appointed Honorary Consul of Malaysia in the Republic of Mauritius. Mr. Beebeejaun is the Chief Executive Officer of British-American Investment Co. (Mtius) Limited and was appointed a Director of the Board in 2003. He is also the Chairman of British-American Investment Co. (Mtius) Limited and a member of several other boards and sub-committees of the British-American Group in Mauritius. He is a former president of the Mauritius Insurers Association.
Joseph N. Muli Non-Executive and Independent Director	Mr. Joseph William N. Muli aged 42 year is an independent Non-Executive Director. 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. Mr. Muli is the Managing Director of Kenya Railways Corporation.
Bocar Elimane Dia Non-Executive and Independent Director	Mr. Bocar Elimane Dia aged 67 years is an independent Non-Executive Director. He holds a Master of Political Science and a Bachelor of Political Science from University of Montreal, Canada. Mr. Bocar holds an honours degree in International Economics and International Relations, he has worked extensively for UNESCO occupying several senior posts. He is currently an international consultant for UNDP, UNICEF and UN Aid and acts as the Chairperson for Network System Area, Societe de Batiments et Travaux Publiques and Amayelle Transport, three Senegal-based companies. He also teaches Economics and International Relations at the University of Montreal in Canada.

Directors of subsidiaries

The full list of Directors for each of the subsidiaries is presented in the section following the profiles below.

The profile of the Insurance Company director other than those provided above is as follows:

British-American Insurance Company (Kenya) Limited

Stephen Odhiambo Wandera Managing Director	Stephen Wandera aged 51 years is the Managing Director of the Insurance Company and has been with the Insurance Company for 18 years. He holds a Masters of Business Administration and a Bachelors of Arts Degree from the University of Nairobi. He is a Fellow of the Chartered Insurance Institute (FCII). Mr. Wandera joined the Insurance Company in 1993 and was appointed to the Board on 1 July 2007. He is the current Chairman of the Association of Kenya Insurers (AKI), a Governor of Kenya Private Sector Alliance (KEPSA) and has served as a Director of the Insurance Institute of Kenya.

The profile of Asset Management director other than those provided above is as follows:

British-American Asset Managers Limited

Dominic Kiarie Managing Director	Dominic Kiarie aged 40 years is the Managing Director of British-American Asset Managers Ltd and has been with the Company for close to over seven years. He holds a Master of Philosophy (M.Phil.)Degree in Finance from the University of Cambridge based in the United Kingdom, a Bachelors Degree in Actuarial Science from The Sir John Cass Business School, City University, London, a Diploma in Actuarial Techniques and a Certificate in Finance and Investments both from the Institute of Actuaries, London. Mr. Kiarie joined the Group in July 2004 to set up the Asset Management business. Prior to this he worked in the Investment Management and Investment Banking fields in the United Kingdom, South Africa and Kenya. He is currently the Chairman of the Association of Collective Investment Schemes (ACIS), an industry body for the unit trust industry. Dominic Kiarie will be leaving the Asset Management Company with effect from 1 August 2011on entirely amicable terms. The Directors have identified a suitable replacement who will be in place prior to Mr. Kiarie's departure to ensure a smooth handover of his duties.

The profile of Britam Insurance Company (Uganda) Limited director other than those provided above is as follows:

Britam Insurance (Uganda) Limited

Simwogerere K. Katende Director	Simwogerere aged 35 years is a Director of Britam. He holds a Masters of Law Degree (LLM) from Columbia Law School, New York, a post graduate diploma in legal practice from the Law Development Centre School, Uganda and a Bachelor of Law degree (LLB) from Makerere University. Mr. Katende has occupied other board positions in Deacons Limited, International Medicine Group Limited and the International Hospital, Kampala. He has also served as a member of the University Council of International Health Sciences University.

Directors of British-American operating subsidiaries

The directors of British-American subsidiaries are as follows:

British-American Insurance Company (Kenya) Limited

Table 36: Directors of the Insurance Company

Director	Position	Nationality	Address
John Nicholas Ashford Hodges	Chairman	British	138 Piccadilly, London W1J 7NR, UK.
Jimnah Mwangi Mbaru	Non Executive Director	Kenyan	P. O. Box 44995, Nairobi
Peter Kahara Munga	Non Executive Director	Kenyan	P. O. Box 43704, Nairobi
James Njuguna Mwangi	Non Executive Director	Kenyan	P. O. Box 74850, Nairobi
Benson Irungu Wairegi	Group Managing Director	Kenyan	P. O. Box 30375 -00100, Nairobi
Stephen Odhiambo Wandera	Managing Director	Kenyan	P. O. Box 30375-00100, Nairobi

British-American Asset Managers Limited

Table 37: Directors of Asset Management

Director	Position	Nationality	Address
John Nicholas Ashford Hodges	Chairman	British	138 Piccadilly, London W1J 7NR, UK.
Jimnah Mwangi Mbaru	Non Executive Director	Kenyan	P. O. Box 44995, Nairobi
Peter Kahara Munga	Non Executive Director	Kenyan	P. O. Box 43704, Nairobi
James Njuguna Mwangi	Non Executive Director	Kenyan	P. O. Box 74850, Nairobi
Benson Irungu Wairegi	Group Managing Director	Kenyan	P. O. Box 30375 -00100, Nairobi
Dominic Kiarie*	Managing Director	Kenyan	P. O. Box 30375 -00100, Nairobi

**Leaving from 1 August 2011.*

Britam Insurance Company(Uganda) Limited

Table 38: Directors of Britam

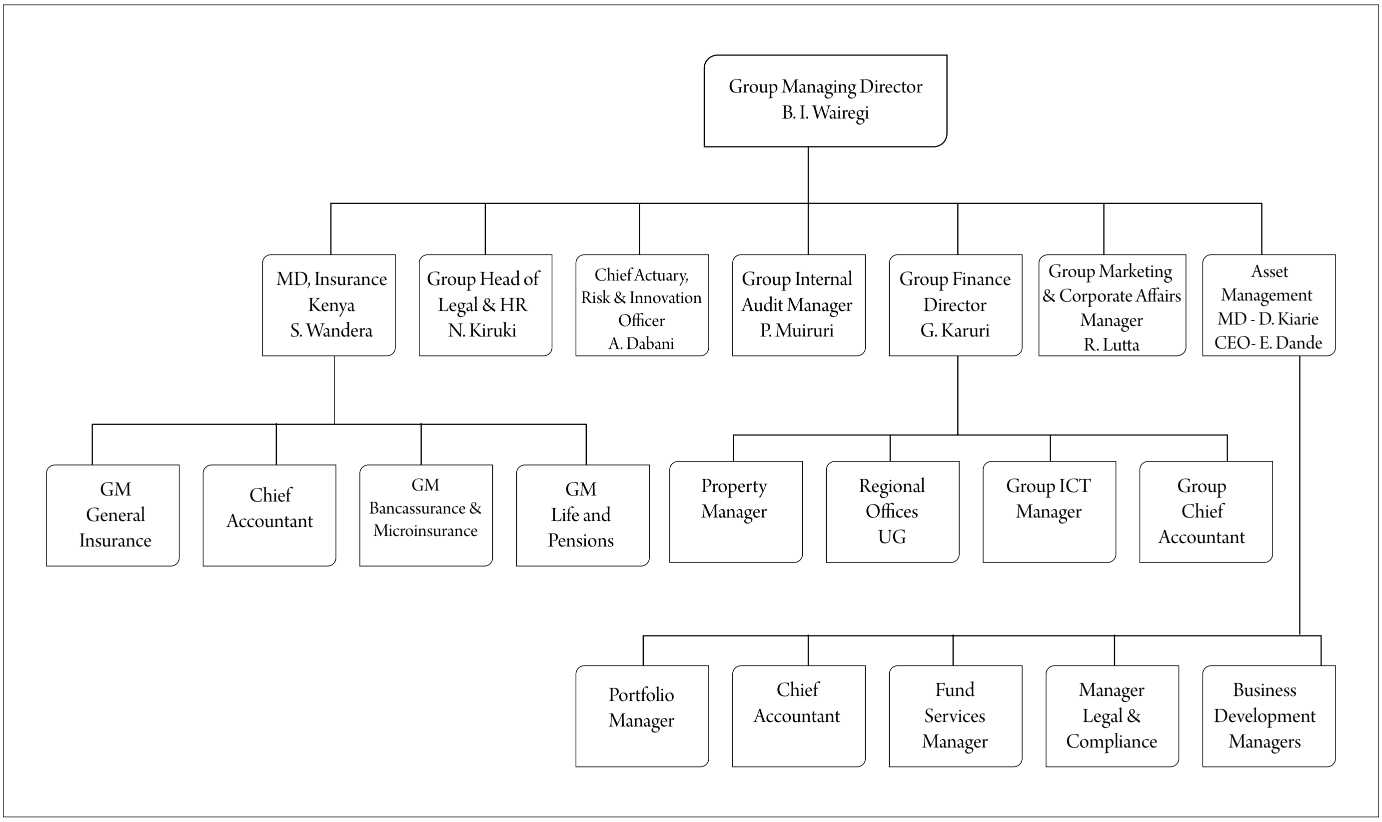
Director	Position	Nationality	Address
John Nicholas Ashford Hodges	Chairman	British	138 Piccadilly, London W1J 7NR, UK.
Peter Kahara Munga	Director	Kenyan	P. O. Box 43704, Nairobi
Benson Irungu Wairegi	Group Managing Director	Kenyan	P. O. Box 30375 -00100, Nairobi
Simwogerere Kitsim Katende	Non Executive Director	Ugandan	P. O. Box 2344, Kampala, Uganda

10.5 Management

10.5.1 Organisation Structure

The Group organogram is summarised as follows:

Organisation structure



The Group Managing Director reports to the Board.

10.5.2 Profiles of Key Group management

The summary profiles of the Group Management by subsidiary are as follows:

Table 39: British-American key management profiles

British-American Group

Benson I. Wairegi Group Managing Director	Details provide in Section 10.4.
Stephen Odhiambo Wandera Managing Director of Insurance Company	Details provide in Section 10.4.
Dominic Kiarie Managing Director of Asset Management Company	Details provide in Section 10.4.

Edwin Dande Chief Executive Officer Asset Management Company	Edwin Dande aged 35 years old is the Chief Executive Officer of British-American Asset Managers Limited effective 5th July 2011. He holds a Master of Business Administration Degree in Finance from the Wharton Business School, University of Pennsylvania, USA, a Bachelor of Science Degree in Accounting from the Monmouth University, USA and is a Certified Public Accountant. Prior to joining the Group, Mr. Dande worked as the Chief Executive Officer and Investment Manager of Baraka Africa Fund for the last 2 years. During his tenure, he founded the Global Markets Fund targeting local investors interested in exposure or diversification to the global markets. He has also worked for Centum Investment Company and various organizations in the USA which include Banc of America Securities, Lehman Brothers and KPMG and has over 13 years experience both locally and internationally.
Gladys Karuri Group Finance Director	Gladys Karuri aged 36 years is the Group Finance Director and has been with the Group for over 4 years. She holds a Bachelor of Arts degree in Mathematics and Economics from the University of Nairobi and is a Certified Public Accountant CPA (K). Prior to joining British-American, Gladys worked as a senior manager in the Assurance Department of PricewaterhouseCoopers.
Nancy Kiruki Company Secretary	Nancy Kiruki aged 37 years is the Group Head of Legal and Human Resource and has been with the Group for over 3 years. She holds a Master of Laws degree (LLM) from the University of Cape Town, a Bachelor of Laws degree (LLB) from the University of Nairobi and is a Certified Public Secretary (CPS). Prior to joining British-American, Nancy was the Group Human Resource and Administration Manager at East Africa Breweries Limited and prior to that the Assistant Company Secretary at East African Breweries Limited.
Peter Muiruri Group Internal Audit Manager	Peter Muiruri aged 48 years is the Group Internal Audit Manager and has been with the Group for 10 years. He holds a Masters of Business Administration degree from the University of Nairobi and a Bachelor of Education degree in Economics and Business studies from Kenyatta University. Prior to joining British-American, Peter held various positions including Internal Auditor at the Kenya Institute of Management, Senior Internal Auditor and financial accountant at Kenya Breweries Limited.
Arthur Chege Group Information and Communications Technology Manager	Arthur Chege aged 54 years is the Group Information and Communications Technology Manager and has been with the Group for 24 years. He holds a Master of Science degree in Information Systems from the Institute of Technology, Australia. Prior to joining British-American, Arthur worked as a project leader at Kenya Commercial Bank. He has also served as the Data Processing Manager and Information Systems Manager of British-American Insurance Company (Kenya) Limited.
Ambrose Dabani Chief Actuary, Risk and Investment Officer	Ambrose Dabani aged 36 years is the Chief Actuary, Risk and Investment Officer and has been with the Group for over 4 years. He is a Fellow of the Institute of Actuaries (UK) (FIA) and a Fellow of the Actuarial Society of South Africa (FASSA). He holds a Bachelor of Science degree in Engineering from the University of Nairobi. Prior to joining British-American, Ambrose worked with Deloitte Actuarial and Insurance Solutions and Hymans Robertson (currently known as Alexander Forbes).
Rose Lutta Group Marketing and Corporate Affairs Manager	Rose Lutta aged 34 years is the Group Marketing and Corporate Affairs Manager and has been with the Group for close to two years. She holds a Master of Business Administration (Marketing) degree and a Bachelor of Business Administration (Marketing) degree both from the United States International University. She also holds a CIM (UK) Diploma. Prior to joining British-American, Rose worked with Standard Chartered Bank as the Head of Marketing and Product Development Manager for Personal Unsecured Loans. She has also worked as the media manager for Nurtun Bates and McCann Erickson and a Media Planner at Lowe Scanad.

Jacqueline Nyaguthii Property Manager	Jacqueline Nyaguthii aged 35 years is the Property Manager and has been with the Group for 2 years. She holds a Master of Arts degree in Valuation and Property Management and a Bachelor of Arts degree in Land Economics from the University of Nairobi. Prior to joining British-American, Jacqueline worked as a Property Manager at Manrik Holdings Ltd and Gimco Ltd.
Paul Gacheru Group Chief Accountant	Paul Gacheru aged 45 years is the Group Chief Accountant and has been with the Group for over 19 years. He holds a Master of Arts degree in Leadership, a Bachelor of Commerce degree and is a Certified Public Accountant CPA(K). Prior to joining British-American in 1991, Paul worked as an Audit Assistant in Pricewaterhouse.
Kennedy Aosa General Manager, General Insurance	Kennedy Aosa aged 46 years is the General Manager, General Insurance and has been with the Insurance Company for 11 years. He holds a Masters degree in Business Administration (Marketing) and a Bachelor of Commerce in Business Administration both from Poona University, India. He is an Associate of the Chartered Insurance Institute (ACII) and an Associate of the Insurance Institute of India (AIII). Kennedy has served in various roles in the Insurance Company including Marketing Manager and Assistant Underwriting Manager. Prior to joining the Company, Kennedy was an Assistant Branch Manager at Kenindia Assurance Company.
Charles Muyodi General Manager, Bancassurance and MicroInsurance	Charles Muyodi aged 44 years is the General Manager Bancassurance and MicroInsurance and has been with the firm for less than a year. He holds a Bachelor of Science degree in Mathematics and Statistics from Kenyatta University, Msc in Biometry – Applied Statistics and a postgraduate Diploma in Statitistics from the University of Reading, UK, Investment Management Certificate, UK. He is also a Fellow of the Institute of Actuaries, UK. Prior to joining the Insurance Company, Charles worked in various roles including; Regional Director – East Africa, Liberty Health Holdings, Nairobi, Managing Director (Ag), Stanbic Investment Management Services Nairobi Liberty Group, Director Business Development – East Africa, Liberty Group (Johannesburg, South Africa), Chief Operating Officer (British-American Insurance Company, Mauritius), Actuary (Norwich Union, York, England) and Actuarial Manager (Safrican, South Africa).
Muthoga Ngera General Manager, Life and Pensions	Muthoga Ngera aged 53 years is the General Manager Life and Pensions and has been with the Group for 21 years. He holds a Master's degree in Business Administration (Strategic Management) and a Bachelor of Business Administration (Marketing) from the United States International University. He is a chartered marketer and a Fellow of the chartered Institute of marketing (UK). He was the COYA 2009 winner of the manager of the year award. Muthoga has served in various roles at the Insurance Company including General Manager, Agency Operations, National Sales and Marketing Manager- Life Business, Senior Agency Manager and Assistant Branch Manager. Prior to joining the Insurance Company, he was a Lecturer and Head of Business Studies Department, Starehe Boys Centre.
Anne Kibebe Fund Services Manager	Anne Kibebe aged 36 years is the Manager, Fund Services and has been with the Group for over 3 years. She holds a Masters of Business Administration (Finance), a Bachelor of Education degree from Kenyatta University and currently pursuing a CFA qualification for which she has already passed level 1. Prior to joining the Asset Management Company, Anne was the Business Development Manager at Hisanet Africa Investment Services and Customer Service Manager at Drummond Investment Bank.
Maina Wacieni Portfolio Manager	Maina Wacieni aged 29 years is the Portfolio Manager and has been with the Group for three years. He holds a Bachelor of Arts degree in Economics from Vassar College. Prior to joining the Asset Management Company, Maina worked as a fixed income analyst and an equity research analyst at Dyer and Blair Investment Bank.

Joyce Gitau Business Development Manager	Joyce Gitau aged 34 years is the Business Development Manager and has been with the Group for six years. She is currently pursuing a Master of Business Administration (Marketing) at United States International University Africa. She holds a Bachelor of Science in Business Administration (Accounting) from the United States International University and a certificate in Marketing from the Marketing Society of Kenya. She has worked in the Asset Management Company in various capacities including Financial Planning Manager and Team Leader Financial Advisory. Prior to joining the Asset Management Company, Joyce was the sales controller of MKS Trading.
Kuria Ndonye Business Development Manager	Kuria Ndonye aged 32 years is the Business Development Manager and has been with the Group for 6 years. He is currently pursuing a Master of Business Administration (Marketing) at United States International University, Nairobi. He holds a Bachelor of Commerce (Finance) degree from Catholic University of Eastern Africa and is a Certified Public Accountant CPA(K). Kuria has worked in various capacities in the Asset Management Company including; Manager Business Development (Wealth Management Service), Manager Strategic Partnerships and Product Development and Manager Intermediary Development. Prior to joining the Asset Management Company, Kuria was a Finance Consultant at Equity & Financial Consultants.

The business address of the above senior management is P.O. Box 30375-0010 Nairobi, Kenya. The other key management comprises Stephen Wandera, Managing Director of the Insurance Company and Dominic Kiarie, Managing Director of Asset Management whose profiles are summarized above.

The key management profile at Britam is summarized below.

Table 40: Britam key management profile

Britam

David Kuria General Manager/Principal Officer	David Kuria a Kenyan aged 44 years is the General Manager/ Principal Officer in Uganda and has been with the Group for 11 years. He holds a Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Bachelor of Arts degree from the University of Nairobi and is an Associate of the Chartered Insurance Institute of London (ACII) majoring in Life and Pensions. David has served in various capacities in the Insurance Company including; General Manager, Group Life and Pensions Division and Sales Manager, Group Life and Pensions. Prior to joining the Insurance Company, David was the Group Life and Pensions Manager at Jubilee Insurance.
Janet Waweru Chief Accountant	Janet Waweru a Kenyan aged 36 years is the Chief Accountant of Britam and has been with the group for over 13 years. She holds an MBA degree from USIU, a Bachelor in Business Administration degree and is an Association of Chartered Certified Accountants, Affiliate. Prior to holding this position, Janet was the Chief Accountant of British-American Asset Managers. She has also served in various roles in the group including Assistant Manager, Investments at Asset Management and Investments Supervisor in the Insurance Company.
Edward Nambafu Business Development Manager	Edward is a Ugandan aged 36 years is a Business Development Manager and has been with Britam for less than one year. Edward has over nine years of experience in commercial and personal insurance at National Insurance Corporation Ltd, UAP Insurance Uganda Ltd and National Corporation Ltd as an Assistant Technical Manager, a Sales and Distribution Manager and a Branch Manager respectively. Edward holds a Bachelors degree in Social Sciences, a post graduate qualification of Advance Diploma (ACII) from the Chartered Institute of Insurance and is currently pursuing an MBA at Uganda Christian University. Edward is a member of the Chartered Insurance Institute, UK and a member of the Rotary Club, Mbarara Uganda.

The business address of the above management staff is P.O. Box 36583, Kampala, Uganda.

10.6 Staff Information

10.6.1 Head count

The table below indicates the number of employees classified by key activity for each of the last five years to 31 December 2010.

Table 41: Staff numbers for the last five years to 31December 2010

	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
Senior Management	11	14	12	7	5
Management	22	19	14	12	12
Other staff	228	207	195	162	145
Unionisable	14	14	14	14	12
Temporary	7	21	18	25	21
Total	**282**	**275**	**253**	**220**	**195**

10.6.2 Staff by entity

The table below indicates the number of employees classified by entity as at 31 December 2010:

Table 42: Staff numbers by entity and grade

	Staff numbers			
	Total staff	Company	Insurance Company	Asset Management
Senior Management	11	7	3	1
Management	22	1	17	4
Others staff	228	2	189	37
Unionisable	14	0	13	1
Temporary	7	0	7	0
Total	**282**	**10**	**229**	**43**

The number of permanent employees at Britam in Uganda are 10.

10.6.3 Staff Union Agreement

The Insurance Company has a Memorandum of Agreement dated 9 December 2010 with the Kenya Union of Commercial Food and Allied Workers. The Agreement applies to the following categories of employees:

- Clerical Staff: Grade One consisting of Senior underwriting clerks, intermediate accounting clerks and senior cashiers; Special Clerical staff who fall under Grade One, however have a higher level of responsibility which includes supervision of junior staff; Grade Two: Junior underwriting clerks, storekeepers, intermediate clerks, telephone operators, addressograph operators and Junior cashiers.
- Subordinate staff: messengers, cleaners, drivers, caretakers and watchmen.

The Agreement covers the various aspects of employment including salary scale and annual increment, housing allowance, working hours, annual leave and the medical scheme.

10.6.4 Pension Scheme

The Insurance Company operates a pension scheme named "British-American Insurance Company (Kenya) Limited Staff Pension Plan" (referred to as the "Pension Scheme") which is governed under a Trust Deed dated 28 February 2007 (as amended by a Deed dated 29 October 2010), between Benson I. Wairegi, Stephen Wandera, David Kuria, Muthoga Ngera, Paul Gacheru, Nancy Kiruki, George Kimondo (the 'Trustees') and the Insurance Company.

The Pension Scheme provides for the provision of cash benefits and pensions of employees of the Group upon retirement of service from any of the companies in the Group and relief for dependants of any deceased employee. The Pension Scheme commenced on 1 January 1987 as a defined benefits scheme. On 1 January 2006, the company amended the Pension Scheme to make it both a defined benefits scheme as well as a defined contributions scheme with the aim of converting the scheme to a defined contributions scheme. Under the Pension Scheme all existing members (prior to the amendment) may elect to be either a defined benefits member or a defined contributions member while all new entrants to the Pension Scheme must be defined contribution members. All members are subject to the rules and regulations of the Pension Scheme, the salient terms of which are as follows:

- Retirement age is 60 years;
- The defined benefit accrual rate is 2% per year of service;
- Members contribute 7.5% of pensionable earnings;
- Lumpsum commutation of defined benefits is allowed subject to legal limits.
- Should the defined contribution member leave the service of the Company before completing 3 years of service he shall only be entitled to a refund of his own contribution together with interest.

The company matches members' contributions in the defined benefit section based on the advise of the actuary. Liabilities for the defined contribution section are established as the aggregate of the members' current balances and a matching block of assets is assumed to be earmarked for them. The status of the defined benefit section at 31 December 2010 is as follows:

	31-Dec-10 Kshs'000
Liabilities	348,626
Assets	139,003
Deficit	**209,623**

The actuary recommended that the Insurance Company contributes an amount of 16% of aggregate pensionable salaries effective January 2011. This will restore the defined benefits scheme to a surplus in 5 years as required by the Retirement Benefits Act. The Company is currently contributing 26% of the pensionable salaries. At the time of preparing the actuarial report a valid executed deposit administration contract had not been issued by the Insurance Company to the Trustees of the Pension Scheme. The actuary relied on a draft of such contract and as such the conclusions in the actuarial report are valid to the extent that the final contract does not differ from the draft. The deposit administration contract has been executed.

10.6.5 Employee Share Ownership Plan

The Directors may generally and unconditionally allot and issue to the Trustees of any Employee Share Option Plan ('ESOP') or Employee Share Purchase Plan ('ESPP'), as may from time to time be required to be held by them for the purposes of the ESOP and/or ESPP, ordinary authorised but unissued shares ranking pari passu with all issued ordinary shares but subject to the terms of the ESOP and/or ESPP, provided that the number of ordinary shares issued or to be issued to the Trustees for their use in the ESOP and ESPP shall not in aggregate exceed two percent (2%) of the authorised share capital in the Company from time to time. As at the date of this Prospectus no ESOP or ESSP has been established.

11. Risk Factors

The Group believes that the following factors may affect its ability to implement its strategic plan effectively. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Company believes may be material for the purpose of assessing the market risks associated with an investment in British-American are also described below.

The Group believes that the factors described below represent the principal risks inherent in investing in British-American, but the inability to roll out its strategy successfully or meet its obligations on interest, principal or other amounts on or in connection with the proposed investment may occur for other reasons. As such, the Group does not represent that the statements below regarding the risks of investing in British-American are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents available for inspection) and reach their own views prior to making any investment decision.

11.1 Country Risk

11.1.1 Political risk

The Group will be operating in East Africa and thus will derive all its revenue from the region. All the Group assets and employees will be located in the region. The region is politically young, and has been subject to various forms of political unrest since independence. Kenya, in particular, has undergone recent turbulence since the 2007 general elections, although the political situation has been relatively calm since the formation of a government of national unity. However there are ongoing squabbles in Kenya's fragile coalition cabinet culminating in open warfare over efforts to suspend the trials of post-election election violence suspects, and a series of top judicial appointments. Further shocks to Kenya's political landscape may be generated from possible new prosecutions of senior government officials as the nation's long-promised war on corruption starts to take hold. The outcome of such events and 2012 general elections will have repercussions on the performance of the economy.

11.1.2 Economic risk

The political events that unfolded after the general elections of 2007 had some effect on economic activity in Kenya but it is difficult to quantify the effect on various sectors of the economy and whether there will be continued impact as a result of the new political setup. Inflation has witnessed an increasing trend since the beginning of 2008 and on a downward trend in 2010. The inflationary fluctuations are directly affected by drought thereby impacting the agriculture and food prices coupled with movement in world oil prices. Other economic factors that can adversely affect the performance of the Kenyan economy and thus the success of the Insurance Company include depreciation of the Kenyan shilling, deteriorating infrastructure, high interest rates and reduction in bilateral and multilateral aid. There are efforts currently being made on infrastructural improvements and the investments in the energy sector throughout the country. These will contribute to driving down the cost of doing business in Kenya. The Government is also embracing the role of the private sector and Public Private Partnerships (PPPs).

11.1.3 Regulatory risk

Regulatory risk relates to the risk of non compliance or non conformity with laws, rules, regulations, prescribed practice or ethical standards issued from time to time. Regulatory risk may arise in instances where the laws and rules governing the conduct of business may be ambiguous or change drastically. There is also the risk that changes in government and subsequently regulations and legislation can affect the insurance sector and asset management sectors in general and more specifically, the operations of the Group. The Group Managing Director will be tasked with monitoring ongoing regulatory requirements and ensuring compliance with current laws and regulations.

11.2 Business Risks

11.2.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore very unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that an insurance company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur since the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and then actual number and amount of claims and benefits will vary from period to period from the level determined by statistical methodologies. In insurance, the larger the portfolio of similar insurance contracts, the smaller the relative variability on the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

11.2.2 Market risk

Market risk refers to the potential impact on earnings of unfavourable changes in market driven variables. Market risk arises due to an insurance company's or asset management company's investment portfolio and also due to contracts with reinsurers. The Group's exposure to market risk is overseen by the Risk Committee. This committee meets on a quarterly basis to assess the Group's investment and interest rate positions in order to minimize market risks.

- Equity market risk: Insurance and asset management companies are among the key institutional investors in the country's stock markets. In the event that equity market prices decrease, returns on investment could decline and if equity market exposure is high, the ability to settle claims could be impacted. In long term business, such declines in the value of equities could even lead to an actuarial deficit arising in the life fund;
- Currency risk: This is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The exchange rate between the Kenya Shilling and other foreign currencies may either appreciate or depreciate resulting in either an exchange gain or exchange loss. Insurance companies are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates, most notably with regard to transactions with foreign reinsurers.
- The Group has an investment in Britam a subsidiary in Uganda. Adverse movements in exchange rates will affect the carrying value of balances consolidated in the financial statements of the Group and any other investments it plans within the East African region.
- There are no other material foreign exchange exposures.

The Group manages market risk by undertaking the following:

- Asset - liability matching that stipulates liquidity and risk limits requiring monitoring of risk levels by adherence to set limits;
- Developing policies that explain the Group's interest rate view and determine the appropriate investment strategy in light of the current and expected business environment.

11.2.3 Competition risk

Competition is part of market risk but has been defined separately due to its significance. Intense competition in the insurance sector and fund management sub-sector could impact adversely on growth and profitability of the Group. In the final analysis the Group may be unable to meet the shareholders expectations.

The Group intends to minimise material adverse effects from severe competition by:

- Providing quality services to its customers based on customer equity (value, price and brand equity) as well as implementation of robust account relationship management;
- Developing products and services that are market oriented;
- Maintaining appropriate underwriting standards to minimise the insurance risks attributable to poor underwriting standards;
- Leveraging on its strategic alliances with Equity Bank, Housing Finance and others who are key agents in the deepening of the micro-insurance sector;
- Maintaining a well motivated work force and agents;
- Recruiting good staff and providing continuous training and development of its workforce; and
- Opening up agencies in many locations that have business potential.

11.2.4 Liquidity risk

Liquidity risk is the likelihood that an organisation will be unable to meet its payment obligations when they fall due. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when they fall due under both normal and stressed conditions without the need to incur unacceptable losses or at the risk of damaging its reputation. Insurance companies are exposed to daily calls on their available cash for claims settlement and other administration expenses. The companies do not maintain cash resources to meet all of these needs but experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty and thus invest some of these funds in a range of short, medium term and in some cases, long term investments. The Group implements the following core liquidity management strategies:

- The future cash flows of the business are projected and plans are made to address normal operating requirements as well as contingencies;
- The Group endeavours to maintain a stable funding base by ensuring that shareholders' funds are adequate and that some percentage of earnings is ploughed back into the business;
- The Board sets limits on the minimum proportion of maturing funds available to meet calls and minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand; and
- The Board develops investment policies that will ensure that the Group's assets and liabilities are properly matched.

11.2.5 Credit risk

Credit risk is the risk that one party to a financial contract will cause a financial loss to the other party by failing to discharge an obligation. Insurance companies are exposed to risk of default by customers where premiums remain unpaid. The following measures are implemented to mitigate the Group's exposure to credit risk:

- Net exposure limits are set for each counter party or group of counter parties - limits shall be set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that will be held;
- Reinsurance is placed with counterparties that have good credit rating; and
- Maximum limits are set for amounts that may be advanced to corporate counterparties by referencing to their long term credit ratings.

11.2.6 Operational risk

Operational risk is associated with human error, an inadequate information system, technology failures, breach in internal controls, fraud, inadequate training, unforeseen catastrophes and other operational problems that may be encountered within the operating system. Operational risk will exist as long as the Insurance Company is in operation but management has ensured that an effective, integrated operational risk management framework is in place. This will include the following:

- Each department has defined roles and responsibilities with regard to operational risk management;
- Key risks are identified, assessed, controlled and reported on a continuous basis using appropriate tools and methodologies;
- Operational systems and procedures are subjected to independent reviews including impromptu testing;
- Appropriate insurance to cover risks such as fire, theft and burglary is undertaken with reputable insurance companies;
- A comprehensive system of internal controls is maintained and systems and procedures to monitor transactions are established, and
- An Internal Audit department is established to undertake a comprehensive audit of all business functions in accordance with a risk based audit plan.

11.2.7 Legal risk

Insurance, particularly third party liability insurance, often involves legal disputes on the amount of claims payable. At any particular time there are likely to be various pending litigation issues and the management of these depends on a number of considerations.

The Group has set up management structures and policies which permit analysis and assessment of all legal risks and provide for possible losses in order to minimise any adverse effects on financial performance.

11.2.8 Information risk

Information risk raises the possibility of harm being caused to a business as a result of a loss of confidentiality, integrity or availability of information. The value add of information technology to the Group's business processes does at the same time increase the level of information risk through interception, system failure and inadvertent relay of data to unauthorised persons.

The Board of Directors regularly evaluates the effectiveness of its information security processes.

11.2.9 Underwriting risk

Underwriting risk is defined as the uncertainty at the inception of the contract of the ultimate amount of cash flow from premiums, commissions, claims and claim settlement expenses. Factors which complicate underwriting risk in the Kenyan market include collusion between various parties leading to fraudulent claims and price undercutting by underwriters to secure business amongst others.

The Group sets policies to ensure proper vetting of potential clients and to guide the process of setting premiums. The Group also sets guidelines for use in the appointment of reinsurance providers and levels of reinsurance to be assumed for various classes of business.

11.2.10 Reputation risk

This is the risk that loss of business and/or public confidence will arise as a result of ethical misdemeanours by management or staff, failure to meet regulatory standards, and/or due to poor customer service levels. The Group mitigates reputation risk by instituting robust regulatory compliance procedures.

Responsibility for risk management

The ultimate responsibility for risk management in an organisation rests in the hands of the Board of Directors. According to the Institute of Risk Management, the Board of Directors shall endeavour to:

- Be aware of the most significant risks facing the organisation;
- Know the possible effects on shareholder value of deviations to expected performance ranges;
- Ensure appropriate levels of risk awareness throughout the organisation;
- Be aware of how the organisation is able to manage a crisis;
- Know the importance of shareholder confidence in an organisation;
- Know how to manage communication with the investor community where applicable;
- Be assured that the risk management processes are working effectively; and
- Publish a clear risk management policy covering the underlying risk management philosophy and the objectives of the policy.

11.2.11 Concentration Risk

The Company has a significant stake of 11.03% in Equity Bank and 16.57% in Housing Finance. These investments may present variations in the Company's performance due to market conditions. However, the Company is represented in the boards of these companies and therefore is able to help implement strategies that derive maximum value from these investments.

12. Other Important Information

12.1 Properties

The significant investment properties owned by the Insurance Company Life Business as at 31 December 2010 are summarised below.

Table 43: British-American Group Property summary

Land Registration	Location	Use	Lease term (years)	Unexpired lease term (years)	Value Kshs '000
Plot LR 209/10520 British American Centre – Britak Centre (Building)	Britak Centre, Upper Hill	Commercial- office development	99	74	1,115,037*
Plot LR 209/12135	Hospital Road, Upper Hill	Single dwelling though a change of user is being sort	99	82	111,650
Plot LR 209/12146	Hospital Road, Upper Hill	Single dwelling though a change of user is being sought	99	82	120,000
Plot LR 330/537	Mbaazi Avenue, Lavington	Residential flats	Freehold	-	43,500
WIP LR 1/138	Nyangumi Road	GLA title - not specified	Freehold	-	200,000
Balance as at 31 December 2010					**1,590,187**

**39% of Plot LR 209/10520 (Britak Centre) is occupied by the British-American Group, the portion of which is valued at Kshs 373.8 million and is classified under Property and equipment in the annual financial statements for the year ended 31 December 2010.*

The above values are based on the valuation carried out on an open market basis on 31 December 2010 by Gimco Limited, a registered professional valuer.

12.2 Properties bought and sold in the last five years

The properties bought and sold in the last five years by the subsidiary, British-American Insurance Company (Kenya) Limited are as follows:

Table 44: Properties bought and sold in the last five years

Description of Property Acquired	Size of land	Date of acquisition	Consideration Kshs' 000	Value as at 31/12/2010	Vendor	Vendor's address
330/537 – freehold, Mbaazi Avenue – Lavington	1 acre	29-Mar-07	41,000	27 number apartments developed; Selling price for 24 standard apartments - Kshs 13.5 million each and 3 penthouses of Kshs 15 million each	Sylvester Kuria Kinyanjui	P. O. Box 25629 - 00603, Nairobi
1/138 – freehold, Nyangumi Road	1.6 acres	23-Mar-10	180,000	Kshs 200,000,000	Eta Rolande Adamson	P. O. Box 47462 - 00100, Nairobi

Description of Property Disposed	Size of land	Date of acquisition	Consideration Kshs' 000	Value as at 31/12/2010	Purchaser	Purchaser's address
330/334 – Freehold	0.75 acres	2005	22,000	24 apartments (Apple Walk Apartments) developed and disposed at Kshs 158.5 million	Various individuals	Various
330/537, Lavington	1 acre	2005	369,000	25 number apartments (Thompsons Glade Apartments) disposed to various buyers between 2010 and 2011. Two penthouses remain to be disposed. Total selling price of the apartments is Kshs 369 million of which Kshs 179,908,000 has already been received	Various individuals	Various

12.3 Bank Borrowings

The terms of the borrowings by British-American from Commercial Bank of Africa are summarised below.

Table 45: Terms of Commercial Bank of Africa loans

	Loan 1	Loan 2
Facility (Kshs 000)	400,000	350,000
Principal amount advance (Kshs 000)	371,000	350,000
Unused facility (Kshs 000)	29,000	-
Rate (%) per annum	Banks base rate: currently 13% minus a margin of 2.5% =10.5%	Banks base rate: currently 13% minus a margin of 2.5% =10.5%
Tenure from initial draw down date	48 months	24 months
Repayment term	Bullet repayment	Bullet repayment
Due date	31 October 2011	31 July 2012

The purpose of the above loans was to finance the purchase of additional Equity Bank Limited shares and other investment programmes as may be required. The total loan balance due as at 31 December 2010 is Kshs 749.3 million including interest accrual of Kshs 28.3 million. Loan 1 was advanced in various tranches between 29 October 2007 and 25 June 2008. Loan 2 was disbursed on 25 August 2008. The loans were renegotiated on 17 August 2010. The facilities are to be reviewed by the lender on 30 June 2011.

Annual facility fee is 0.25% of the outstanding principal payable on the anniversary date. Accrued interest is capitalized and paid on a yearly basis in arrears by debit of the Borrower's current account by Commercial Bank of Africa. The security is a lien on original share certificates representing 77,181,850 Equity Bank Limited shares in the name of British-American Investments (Kenya) Limited. The term loan exposure is subject to 45% of the market value of Equity Bank Limited shares offered as security.

12.4 Inter-company Finance

Under an inter-company loan agreement an amount of Kshs 48 million was extended by the Company to Asset Management. This intercompany loan has been re-paid through issue of shares in Asset Management as follows:

- On 18 August 2009 the Company's issued share capital in Asset Management was increased from Kshs 30,000,000 to Kshs 49,999,990. The remaining 2 shares are held by Benson Irungu Wairegi and Dominic Mwangi Kiarie respectively; and
- On 20 November 2009 the issued share capital of Asset Management was increased from Kshs 49,999,990 to Kshs 80,000,000.
- The outstanding Company loan to Asset Management now stands at Kshs 7,857,000 while the outstanding Insurance Company loan to Asset Management currently stands at Kshs 36,982,000.

Under a further Inter Company Loan Agreement dated 3rd June 2008, the Insurance Company loaned the Company Kshs 800 million to be re-paid in 36 months in one bullet repayment. As such, the maturity date of this facility was 2nd June 2011 and has been extended for a further two years maturing on 2nd June 2013. The amount outstanding on this facility is Kshs 751,465,231.

The Insurance Company

Under an original Facility Letter with CBA dated 28 July 2003, CBA provided the Insurance Company with an overdraft of Kshs 50 million ('CBA Overdraft Facility') for the purpose of financing any deficits in the Insurance Company's current account arising from payment of claims and life policy bonuses prior to maturity of the Insurance Company's investments.

The security for the overdraft is a lien over a Treasury Bond of Kshs.50, 000,000 issued to the Insurance Company by the Central Bank of Kenya in favour of CBA. The above facility has been reviewed every year since 2004. The latest renewal was carried out on 27 June 2011, for a period of a further year, up to 30 June 2012. Note that the facility has never been utilised.

12.5 Directors Emoluments, Benefits and Service Contracts

12.5.1 Director emoluments and benefits

The aggregate directors emoluments and benefits for the year ended 31 December 2010 and 2009 are as follows:

Table 46: Directors' aggregate remuneration

Directors' – Group	2010 Kshs'000	2009 Kshs'000
Directors' fees	3,300	3,393
Director's other remuneration	79,104	74,024
	82,404	77,417

Source: Audited financial statements

There are no arrangements whereby any of the Directors have or have agreed to waive future emoluments and there has been no arrangement for the waiver of emoluments during the past financial year.

There will be no variation to directors emoluments and benefits as a consequence of the Offer.

12.5.2 Director service contract arrangements

The executive director's service contract arrangements are summarised as follows:

Table 47: Executive Director service contract arrangement

Name	Date of contract	Entity in the Group	Position	Notice period
Benson Irungu Wairegi	20 December 2006	British-American Investments Company (Kenya) Limited and British-American Insurance Company (Kenya) Limited	Group Managing Director	6 months or payment of equivalent remuneration
Dominic Mwangi Kiarie	31 October 2007	British-American Asset Managers Limited	Managing Director	3 months prior notice or payment of equivalent remuneration
Stephen Odhiambo Wandera	31 January 2007	British-American Insurance Company (Kenya) Limited	Executive Director	3 months prior notice or payment of equivalent remuneration

The aggregate executive remunerations for the year ended December 2010 amounted to Kshs 55.3mn.

The other terms of the contract for each of the above directors are as follows:

- Appointments are subject to summary termination at any time by the respective entity by notice in writing if the Executive Directors shall in the reasonable opinion of the respective entity in Group have committed any serious breach or any repeated, continued or persistent breach of the obligations on the contract or shall have been guilty of any gross misconduct; and
- In case of redundancy or early retirement, the Executive Director is entitled to one month's total remuneration for each full year of service or the then equivalent statutory entitlement in that respect (currently at the rate of 15 day's Basic Salary for each full year of service) whichever shall be higher.

The other benefits extended to Executive Directors are as follows:

- Employer contributions to the pension scheme;
- Group Personal Accident Cover and Group Life Insurance Cover;
- Access to the Group's staff mortgage and other loan schemes; and
- Motor vehicle for both business and personal use.

12.5.3 Senior management changes

There are no senior management changes planned or expected during twenty four months following the issue and listing of the Offer Shares. Mr. Dominic Kiarie, the Managing Director, will be leaving the Asset Management Company with effect from 1 August 2011. The Directors have identified a suitable qualified replacement who will be in place prior to Mr. Kiarie's departure to ensure a smooth hand over.

12.5.4 Loans granted to directors

The total loans granted to the Executive Directors and Non-Executive Directors as at 31 December 2010 amounted to Kshs 118,025,228 comprising of mortgage loans of Kshs 114,037,885 and car loans of Kshs 3,987,343. The mortgage loans are secured by registered charges against the financed property. Monthly loan repayments are deducted from the borrower's salary. Mortgage loans to executive directors attract an interest rate of 8% per annum, which is the same rate accorded to the respective Group or subsidiary employees and agents. Loans granted to non-executive directors attract interest at market rates.

Car loans are secured by the log books that are held in joint ownership with the Insurance Company and the borrower.

Table 48: Director mortgage loans

Director's Name	Loan Balance 31-Dec-10 Kshs 000
Stephen O. Wandera	25,906
Benson I. Wairegi	1,129
Microland Investments: (Director:Benson I. Wairegi)	7,289
St. Paul Thomas Academy (Director: Peter Kahara Munga)	56,710
Njamu Limited (Director: Peter Kahara Munga)	23,003
Total	**114,037**

These loans were granted for the purchase of property (houses, apartments and maisonettes) and secured by charges against the titles. Details of material loans are set out below:

Table 49: Material Director mortgage loan details

Director's Name	Date of Initial loan	Repayment period	Loan Balance as at 31-Dec-10	Interest rate per annum	Arrears 31- Mar-11	Secured facility
Stephen O. Wandera	3-Jun-03	10 years	2,230,314	8%	No	Yes
Stephen O. Wandera	29-Jul-09	10 years	23,676,415	8%	No	Yes
Benson Wairegi	17-Dec-97	15 years	1,128,807	8%	No	Yes
Microland Investments (Director: Benson Wairegi and Margaret Wairegi of P.O Box 63677, Nairobi 00619)	10-Aug-05	10 years	7,289,377	8%	No	Yes
	3-Oct-06	9.5 years			No	Yes
	19-Oct-10	6 years			No	Yes
St. Paul Thomas Academy (Director: Peter Kahara Munga and Rose N. Munga)	16-Dec-04	10 years	56,710,041	14.50%	No	Yes
	2-Nov-05	9.5 years			No	Yes
Njamu Limited (Director: Peter Kahara Munga and Rose N. Munga of P.O Box 33421-00600, Nairobi)	20-Nov-06	15 years	23,002,931	14.50%	No	Yes
Grand Total			114,037,885			

A summary of car loans with Directors are as follows:

Table 50: Director car loans

Car loan	Date of Initial loan	Repayment period	Loan Balance as at 31-Dec-10 Kshs'000
Stephen Wandera	9-Jul-08	34 months	1,420,623
Dominic Kiarie	15-Mar-10	48 months	2,566,720
			3,987,343

These loans were granted for the purchase of private motor vehicle and secured by charges against the log books of the respective motor vehicle.

12.5.5 Service contracts

Service contracts between members of the Group and Directors of the Group are available for inspection as specified in section 14.23 "Statutory and General Information" of this Prospectus. With regard to the Service contracts it should be noted that:-

(i) The Directors' service contracts provide for compensation upon early termination of their service contracts.

(ii) Save for undertakings provided by the Directors to the Company (referred to in section 1.11 of the Prospectus) the Directors' service contracts contain no restrictions prohibiting them or any person acting on their behalf, or connected to them from dealings in the Shares during a close period or at a time when Directors are in possession of unpublished price sensitive information in relation to the Shares.

(iii) There are no commissions or profit sharing arrangements between the Company and the Directors.

12.5.6 Directors' transactions

Save as disclosed above and in the "Statutory and General Information" in section 14 of this Prospectus:-

(i) No payment has been made or agreed to be made to any Director or to any company in which he is beneficially interested, directly or indirectly, or which he is a Director, or to any partnership, syndicate or other association of which is a member, in cash or securities or otherwise, by any person to induce him to become or to qualify him as a Director, or otherwise for services rendered by him or by the company, partnership, syndicate or other association during the three years preceding the date of this Prospectus.

(ii) No Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant in relation to the business of the Group in the current or immediately preceding financial year or earlier financial year, which remain in any respect outstanding or unperformed.

(iii) Save as disclosed in Section 12.5.4, there are no outstanding loans granted by the Company and its subsidiaries nor has the Company and its subsidiaries issued guarantees in favour of the Directors.

As the date of this Prospectus, to the best knowledge of the Directors of the Company:-

(i) Save as disclosed in Section 12.5.3, there are no planned changes to the Chief Executive or other Senior Management positions nor has any senior staff member of the Company or any of its subsidiaries expressed an intention to resign during the two years following the listing of the Company on the NSE.

(ii) None of the members of the senior management team detailed above has committed any serious offence that may be considered to affect the integrity or be inappropriate for the management of a company listed on the NSE.

12.6 Presentation of Information

The financial information detailed in this Prospectus is in accordance with the Company's audited financial statements which are based on International Financial Reporting Standards.

The information presented in this Prospectus has been prepared on the basis that all the Offer Shares are subscribed for or purchased in full.

13. Taxation on Income on Offer Shares

The comments below are of a general nature based on taxation law and practice in Kenya as at the date of this Prospectus and are subject to any changes thereafter. They relate only to the position of persons who are the absolute beneficial owners of the Offer Shares. This section does not purport to be a complete analysis of all tax considerations relating to the Offer Shares and so should be treated with appropriate caution. Prospective investors should consult their own professional advisors concerning the possible tax consequences of purchasing, holding and/or selling Shares and receiving payments of dividends and/or other amounts in respect of the Offer Shares under the applicable laws of their country of citizenship, residence or domicile.

13.1 Tax on Dividend Income

Withholding tax at the rate of 5% will be deducted by the Company from dividend payments made to Kenya resident shareholders of the Company as well as citizens of the East African Community Partner States and at 10% for non-resident shareholders in terms of prevailing legislation as set out in the Kenya Income Tax Act (which is subject to revision through changes in Government policy). Non-residents may be entitled to a tax credit in their country of residence, either under domestic law or under the tax treaties referred to below. If an Applicant is tax exempt, the person or company or institution will be required to provide a certified copy of the Tax Exemption Certificate.

13.2 Stamp Duty

So long as the Offer Shares are listed on the NSE no stamp, registration or similar duties or taxes will be payable in Kenya in connection with the transfer of such Shares in accordance with current legislation.

13.3 Tax Treaties

Kenya has entered into double taxation treaties with Canada, Denmark, Germany, India, Norway, Sweden, the United Kingdom and Zambia. Treaties with Italy, Uganda and Tanzania have been signed but are not yet in force.

14. Statutory, Legal and General Information

14.1 Incorporation and Change of Name

(i) On the 26th day of July 1995, the Company was incorporated in Kenya as a private limited company under the name British-American Financial Services Limited under Company Number C 66029.

(ii) By a special resolution passed at an Extraordinary General Meeting held on 17th September 2003, the Company changed its name from British American Financial Services Limited to Britak Investments Company Limited. A certificate of Change of Name was issued by the Registrar of Companies on 25th September 2003.

(iii) By a special resolution passed at an Extraordinary General Meeting held on 16th March 2006, the Company changed its name from Britak Investments Company Limited to British-American Investments Company (Kenya) Limited. A certificate of Change of Name was issued by the Registrar of Companies on 5th May 2006.

(iv) On the 17th day of June 2011 the Company was converted to a public company and adopted new Articles of Association.

14.2 Group Share Capital Information

14.2.1 Alterations to the Company's Authorised and Issued Share Capital

(i) The Company was incorporated with a share capital of Kshs 10,000,000/= divided into 2,000,000 ordinary shares of Kshs 5/= each.

(ii) On 18 December 2003, the Company's authorized share capital was increased to Kshs. 150,000,000/= by the creation of 28,000,000 ordinary shares of Kshs 5/= each.

(iii) By way of a Shareholders Resolution dated 17 June 2011 the authorised share capital was increased to 3,000 million shares and the Shares in the Company were split from 30 million shares of Kshs 5/= to 3,000 million shares of Kcts 10 each.

(iv) There have been no changes in the amount of the Company's issued share capital during the three preceding years.

14.2.2 The Company's Authorised and Issued Share Capital

(i) The Company's authorised share capital is Kshs. 300,000,000 divided into 3,000,000,000 ordinary shares of Kcts 10 each.

(ii) The Company's issued and fully paid up share capital is Kshs. 150,000,000 divided into 1,500,000,000 ordinary shares of Kshs 0.10 each.

(iii) The Company's share capital is not divided into different classes of shares and all of the Company's issued shares carry the same voting rights. Every member shall have one vote for each of the Company's Shares. Any of the Company's shares may be issued with or have attached thereto such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine.

(iv) Assuming that the Offer is fully subscribed, the issued share capital in the Company shall be Kshs. 215,000,000 comprising 2,150,000,000 issued Shares.

14.2.3 Shareholding in the Company

Name	Director	Number of shares held	% share holding
1. British American (Kenya) Holding - P.O. Box N-3005 Nassau, Bahamas		452,504,00	30.17%
2. Equity Holdings Limited - P.O. Box 75104 Nairobi		405,000,000	27.0%
3. *Jimnah Mwangi Mbaru - P.O.Box 44995, Nairobi	√	300,000,000	20.0%
4. Filimbi Ltd - P.O. Box 40034, Nairobi, Kenya		90,000,000	4.19%
5. *Peter Kahara Munga - P.O.Box 43704, Nairobi	√	75,000,000	5.0%
6. *Benson Irungu Wairegi - P.O.Box 30375, Nairobi	√	99,496,000	6.63%
7. *James Njuguna Mwangi - P.O Box 75104 Nairobi	√	75,000,000	5.0%
8. Simon Irungu Wairegi - P.O. Box 63677 – 00619 Muthaiga, Nairobi		3,000,000	0.20%
Total		**1,500,000,000**	**100%**

*These directors have a direct interest in the shareholding of the Company in excess of 3% of the Company's total shareholding. None of these interests are non-beneficial interests. There has been a change in the directors' shareholding between the end of the previous financial year and the date of publication of this prospectus as outlined in Section 8.7.

14.2.4 Subsidiaries of the Company

The Company has the following subsidiaries:

Company	Number of shares held by the Company	Shareholding %age
Insurance Company	479,999,995	99.99%
Asset Management Company	15,999,998	99.99%
Britam Insurance Company (Uganda) Limited	19,990	99.95%

14.3 Share Capital Information of the Company's Subsidiaries

14.3.1 Asset Management Company

(i) Authorised and Issue Share Capital

	Number of ordinary shares	Share Capital Kshs
Authorised, Issued and fully paid Share Capital with a par value of Kshs 5 each	16,000,000	80,000,000

(ii) Alteration of Asset Management Company's Authorised Share Capital during the Preceding Five Years

(a) On 31st January 2006, Asset Management Company's authorised share capital was increased to Kshs. 30,000,000, by the creation of 4,000,000 ordinary shares of Kshs. 5/= each.

(b) On 18th August 2009, Asset Management Company's authorised share capital was increased from Kshs. 30,000,000/= to Kshs 50,000,000, by the creation of 4,000,000 ordinary shares of Kshs.5/= each

(c) On 20th November 2009, Asset Management Company's authorised share capital was increased from Kshs. 50,000,000/= to Kshs. 80,000,000/= by the creation of 6,000,000 ordinary shares of Kshs. 5/= each.

(iii) Shareholding in Asset Management

Name	Address	Number of Shares held
British-American Investments Company (Kenya) Limited	P.O. Box 30375-00100 Nairobi, Kenya	15,999,998
Dominic Mwangi Kiarie	P.O. Box 30375-00100 Nairobi, Kenya	1
Benson Irungu Wairegi	P.O. Box 30375-00100 Nairobi, Kenya	1
Total		**16,000,000**

14.3.2 The Insurance Company

(i) Authorised and Issued Share Capital

	Number of ordinary shares	Share Capital Kshs' 000
Authorised Share Capital (Kshs) with a par value of Kshs 1 each	500,000,000	500,000,000
Issued and fully paid Share Capital with a par value of Kshs 1 each	480,000,000	480,000,000

(ii) Alterations in the Insurance Company's Authorised Share Capital during the Preceding Five Years

(a) On 4th April 2007 the authorised share capital was increased from Kshs. 150,000,000 to Kshs. 500,000,000 divided into 500,000,000 ordinary shares of Kshs. 1/= each, by the creation of 350,000,000 ordinary shares of Kshs. 1/= each;

(b) On 4th April 2007 the 30,000,000 shares of Kshs. 5/= in the capital of the Subsidiary were subdivided into shares of Kshs. 1/= each to create 150,000,000 ordinary shares of Kshs. 1/= each.

(iii) Shareholding in the Insurance Company

Name	Address	No of Shares held
British-American Investments Company (Kenya) Limited	P.O. Box 30375-00100 Nairobi, Kenya	479,999,995
British-American Asset Managers Limited	P.O. Box 30375-00100 Nairobi, Kenya	5

14.3.3 Britam Insurance Company (Uganda) Limited

(i) Authorised and Issued Share capital

	Number of ordinary shares	Share Capital Ushs
Authorised Share Capital (Kshs) with a par value of Ushs 100,000 each	56,000	5,600,000,000
Issued and fully paid Share Capital with a par value of Ushs 100,000 each	56,000	5,600,000,000

(ii) Alterations In Britam Insurance Company (Uganda) Limited's Authorised Share Capital in the Preceding Five Years

(a) Britam Insurance Company (Uganda) Limited was incorporated on 26th of July 2010 as a limited liability company with an authorised share capital of Ushs. 2,790,000,000 divided into 2,790 shares of Ushs. 1,000,000/=.

(b) On 14th September 2010, Britam Insurance Company (Uganda) Limited divided its shares so as to decrease the nominal value of each share from Ushs. 1,000,000/= per share to Ushs 100,000/= per share.

(c) On the same date, 14th September 2010, the share capital of Britam Insurance Company (Uganda) Limited was increased from Ushs.2,790,000,000 to Ushs.5,600,000,000 divided into 56,000 ordinary shares of Ushs100,000 each.

Name	Address	Number of shares held
British American Investments Company (Kenya) Limited	P.O. Box 30375-00100 Nairobi, Kenya	55,990
Benson Irungu Wairegi	P.O Box 63677 - 00619 Nairobi, Kenya	10 (On trust for Britam Insurance Company (Uganda) Limited

14.4 Material Group Shareholding in other Companies

The material group shareholding in other companies is as follows:

Company	Invested Institution	Shareholding	Listed Shares NSE	Percentage Holding	Gross Dividend received in 2010 Kshs 000
The Company	Equity Bank	163,371,350	3,702,777,020	4.41%	65,349
Insurance Company	Equity Bank	244,824,185	3,702,777,020	6.62%	105,479
Insurance Company	Housing Finance	28,854,345	235,750,000	16.57%	22,043

The registered office of Equity Bank is NHIF Building, Ragati Road, P.O Box 75104-00200, Nairobi and that of Housing Finance is Rehani House, Kenyatta Avenue, P.O Box 30088-00100 Nairobi.

A summary of the profit after tax, market issued share capital and reserves of Equity Bank and Housing Finance as at 31 December 2010 is as follows:

Invested Institution	Issued share capital Kshs millions	Reserves Kshs millions	Profit after tax Kshs millions	Market value of shares held 31-Dec-10 Kshs millions	Net dividends received in 2010 Kshs millions
Equity Bank	1,851	25,353	7,132	10,949	162
Housing Finance	1,150	2,923	379.5	764.6	21

Source: Respective financial statements & British-American schedules

14.5 Summary of Directorship in the Company and its Subsidiaries

Name	Nationality	Date of Birth:	Address:	The Company	Insurance Company	Asset Management Company	Britam
John Nicholas Ashford-Hodges	British	Over 18	138 Piccadilly, London W1J 7NR, UK	√	√	√	√
Jimnah Mwangi Mbaru	Kenyan	Over 18	P.O. Box 44995, Nairobi	√	√	√	
Benson Irungu Wairegi	Kenyan	Over 18	P.O. Box 63677-00619, Nairobi	√	√	√	√
Peter Kahara Munga	Kenyan	Over 18	P.O. Box 43704, Nairobi	√	√	√	√
James Njuguna Mwangi	Kenyan	Over 18	P.O. Box 75104, Nairobi	√	√	√	
Saleem Beebeejaun	Mauritian	Over 18	25 Pope Hennessy Street, Port Louis, Mauritius	√			
Stephen Wandera	Kenyan	Over 18	P.O.Box 14225-00800, Nairobi		√		
Sim K. Katende	Ugandan	Over 18	Ministers Village, Ntinda, P.O. Box 2344, Kampala.				√
Dominic Kiarie*	Kenyan	Over 18	P.O. Box 30375, Nairobi			√	
Joseph William Muli	Kenyan	Over 18	P.O. Box 52884-00200	√			
Bocar Elimane Dia	Senegalese	Over 18	8, rue Cannebiere - 75012 Paris, France	√			

* *Leaving with effect from 1 August 2011*

14.6 Registered Office Addresses of the Group

(i) The registered office of the Company, Asset Management Company and the Insurance Company respectively is P.O. Box 30375-00100, Nairobi, Britak Centre, junction of Mara & Ragati Roads, Plot No. L.R. 209/10520.

(ii) The registered office of Britam Insurance Company (Uganda) Limited is P. O. Box 36583 Kampala, Uganda, First floor, Course View Towers, Freehold Register Volume 295, Folio 15, Plot 21, Kitante Road, Nakasero, Kampala.

14.7 Group Company Secretary

The Company Secretary for the Company and its Subsidiaries is Nancy Karimi Kiruki, P.O. Box 30375-00100, Nairobi.

14.8 Extracts from the Memorandum and Articles of Association of the Company

14.8.1 Principal Objects

The principle objects of the Company are contained the Memorandum of Association of the Company and include:

(i) To provide money transfer services, investment, consultancy and management services and to act as financial and investment advisers, business transfer agents and valuers and to act as intermediaries in the introduction of sellers, purchasers and investors.

(ii) To carry on business as financiers, factors and concessionaires and to undertake and to carry on and to execute all kinds of financial and commercial trading and dealing in money or securities for money, foreign exchange and bullion.

14.8.2 Extracts from the Articles of Association

By a Special Resolution of the Company passed on 17th day of June 2011, the Company adopted new Articles of Association.

The following are extracts of the salient provisions of the Articles of Association of the Company. The numbering has been retained for ease of reference:

SHARE CAPITAL

Article 7. The share capital of the Company is Kenya Shillings Three Hundred Million (Kshs 300 million) (divided into 3,000,000,000 shares of ten Kenya Cents (Kcts 10) each[19].

SHARES

Article 8. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any shares except an absolute right to the entirety thereof in the registered holder.

Article 9. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.

Article 11 If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed after a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be Two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy, or in the case of a corporation by a representative appointed in accordance with Article 89 may demand a poll.

Article 12. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Article 13.

(a) Unless otherwise authorised by the Members in a General Meeting whenever the Directors propose to issue any Shares they shall offer them in the first instance to Members (other than preference shareholders not specifically entitled to them under the terms of issue of their preference Shares) in proportion as nearly as may be to the number of existing Shares held by them.

(b) Members shall only be entitled to receive, pursuant to the foregoing provision, shares of the same class as the class of shares then held by them immediately before such offer.

(c) Notwithstanding the rights of pre-emption granted to the Members of the Company either under Article 13 (a) and (b) above or under any other law, the Directors may generally and unconditionally allot and issue to the Trustees of any Employee Share Option Plan ('ESOP') or Employee Share Purchase Plan ('ESPP'), as may from time to time be required to be held by them for the purposes of the ESOP and / or ESPP, ordinary authorised but unissued shares ranking pari passu with all issued ordinary shares but subject to the terms of the ESOP and / or ESPP, provided that the number of ordinary shares issued or to be issued to the Trustees for their use in the ESOP and ESPP shall not in aggregate exceed two percent (2%) of the authorised share capital in the Company from time to time

TRANSFER OF SHARES

Article 28. Everyfully paid shares in the Company is freely transferable and will not be subject to any pre-emptive rights.

Article 29. The Directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they do not approve, and they may also decline to register the transfer of a share on which the Company has a lien.

- *[19] The Company was incorporated with a share capital of Kenya Shillings Ten Million (Kshs. 10,000,000/=) divided into Two Million (2,000,000) shares of Kshs 5/= each.*
- *By an Ordinary Resolution passed on 18 December 2003 the issued share capital was increased by Kshs 148 million to Kenya Shillings One Hundred and Fifty Million (Kshs.150,000,000) by the creation of twenty-eight million (28,000,000) new ordinary shares of Kshs 5/= each.*
- *By an Ordinary Resolution passed on 17 June 2011 the issued share capital of 30 million ordinary shares of Kshs 5/= each were subdivided into 1,500 million ordinary shares of Kcts 10 each*
- *By an Ordinary Resolution passed on 17 June 2011 the authorised share capital was increased by Kshs 150 million to Kshs 300 million divided into 3,000 million ordinary shares of Kcts 10 each.*

Article 30. The Directors may also refuse to register any instrument of transfer of shares, if:-

(a) the registration fee of Kenya Shillings 500/= (or such lesser fee (if any) as the Directors may from time to time prescribe as the registration fee) is not paid to the Company in respect thereof; or

(b) it is not accompanied by the certificate for the shares to which it relates, and such other evidence as the Directors may reasonably require to show the rights of the transferor to make the transfer; or

(c) it is of shares of more than one class; or

(d) the transferee named therein is:-

(i) an infant person; or

(ii) a person incapable by reason of mental disorder of managing and administering his property and affairs; or

(iii) a partnership in its partnership name; or

(e) in the case of a transfer to joint holders, they exceed Four in number.

Article 31. If the Directors refuse to register a transfer they shall within 60 days after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

Article 32. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than Thirty days in any year.

Article 33. The Company shall be entitled to charge a fee not exceeding Kenya Shillings 50/- on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, or other instrument.

IMMOBILIZATION OF SHARES

Article 34. Pursuant to and subject to the Central Depositories Act 2000, title to immobilised and dematerialised shares will be evidenced otherwise than by a certificate and title to such shares shall be transferred by means of a book-entry transfer in accordance with the provisions of the Central Depositories Act 2000.

Article 35. No provision of these Articles shall apply or have effect in relation to any shares which have been immobilised or dematerialised under the Central Depositories Act 2000 to the extent that it is inconsistent in any respect with:

(a) the holding of such shares in uncertified form;

(b) the transfer of title to such shares by means of a book-entry transfer; and

(c) any provision of the Central Depositories Act 2000

Article 36. Transfers of Securities which have been immobilised or dematerialised under the Central Depositories Act 2000 shall be effected in the manner prescribed thereunder.

Article 37. Where the Company refuses to register transfers of Securities required to be registered under Section 14 and 15 of the Central Depositories Act 2000, it shall serve the transferor and transferee with written notice of the reasons for such refusal in accordance with Section 14(5) of the Central Depositories Act 2000.

Article 38. An instrument of transfer lodged with the Company pursuant to Section 14(1) of the Central Depositories Act 2000 shall be capable of registration in the name of a central depository or its nominee company if such instrument has been certified by a central depository agent instead of being executed by the central depository or its nominee Company.

Article 39. With effect from the Dematerialization Date, any reference to a transfer of share or debentures shall be a reference to a book entry transfer performed by the central depository in accordance with Section 27(1) (b) of the Central Depositories Act 2000.

Article 40. Any provisions in the Articles inconsistent with the requirements of the Central Depositories Act 2000 or as prescribed by the Authority under Regulations in respect of registration, transfer, immobilization or dematerialization of securities shall be deemed to be modified to the extent of such inconsistency in their application to securities which are in part or in whole immobilized or dematerialized or are required by the Central Depository Act 2000 or Regulations and Rules issued thereunder to be immobilized or dematerialized in part or whole as the case may be.

CONVERSION OF SHARES INTO STOCK

Article 53. The Company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination.

ALTERATION OF CAPITAL

Article 57. The Company may, from time to time by ordinary resolution, increase the share capital by such sum to be divided into shares of such amount, as the resolution shall direct, or, in default of such direction, as the Directors shall determine.

Article 58. Subject to any direction to the contrary that may be given by the resolution sanctioning the increase of capital, all new shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.

Article 59. Any new shares may be offered at par, at a premium or (subject to the provisions of the Act) at a discount as the Directors may decide.

Article 60. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

GENERAL MEETINGS

Article 62. The Company shall in each Year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Not more than Fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Annual and extraordinary general meetings shall be held at such times and places within Kenya as the Directors shall, from time to time, appoint.

Article 64. The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by Section 132 of the Act. If at any time there are not within Kenya sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

Article 65. Every general meeting shall be called by Twenty-one days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company.

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all members entitled to attend and vote thereat and otherwise in accordance with the provisions of Section 133(3) of the Act; and

(b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than Ninety-five per cent (95%) in nominal value of the shares giving that right.

Provided always that if the Company shall then be listed on the Nairobi Stock Exchange a copy of such notice be sent to the Nairobi Stock Exchange at the sametime as notices are sent to the Members.

Article 66. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and that a proxy need not be a Member.

PROCEEDINGS AT GENERAL MEETINGS

Article 69. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; save as herein otherwise provided, three Members present in person or by proxy or represented in accordance with Article 89, together holding in aggregate not less than 10% of the issued share capital of the Company shall be a quorum. Provided that one Member holding the proxies of two or more Members shall not constitute a quorum.

Article 71. The Chairman, if any, or in his absence, the Deputy Chairman, if any of the Board of Directors shall preside at every general meeting of the Company.

Article 74. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the Meeting; or

(b) by any five Members present in person or by proxy; or

(c) by any Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting.

Unless a poll is so demanded, a declaration by the chairman of the Meeting that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn at any time.

Article 75. If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Article 76. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

VOTES OF MEMBERS

Article 78. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy or being a corporation, by a representative appointed in accordance with Article 89, shall have one vote for each share of which he is the holder.

Article 79. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register.

Article 81. No Member shall be entitled to be present at any General Meeting or to vote on any question, either personally or by proxy or by a representative appointed in accordance with Article 89, at any General Meeting or on a poll or to be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the Shares held by him, whether alone or jointly with any other person.

Article 82. No objection shall be raised to the qualification of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

Article 83. On a poll votes may be given either personally or by proxy or by attorney or by a representative of a corporation appointed in accordance with Article 89.

Article 84. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a Corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.

Article 86. An instrument appointing a proxy shall be in the following form, or in any other form of which the Directors shall approve:-

BRITISH- AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED

I/We, , of , being a member/members of the above-named Company, hereby appoint , of , or failing him , of , as my/our proxy to vote for me/us on my/our behalf at the Annual (or Extraordinary, as the case may be) General Meeting of the Company to be held on the day of , 20 , and at any adjournment thereof.

As witness my/our hand this day of , 20 .

This Form is to be used *in favour of / against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

**Strike out whichever is not desired.*

CORPORATIONS

Article 89. Any Corporation which is a member of the Company may, by resolution of its Directors or other governing body, or by notification in writing under the hand of some officer of such corporation duly authorised in that behalf, appoint such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The production at a meeting of a copy of a resolution certified by one Director (other than the appointee if he himself shall be a Director) and the Secretary, if any, of such Corporation to be a true copy of the resolution, shall be accepted by the Company as sufficient evidence of the validity of his appointment. The person so appointed shall be entitled to exercise the same powers on behalf of such Corporation as it could exercise if it were an individual member of the Company.

UNTRACED MEMBERS

Article 90.

(a) The Company may sell (in such manner and for such price as the Directors think fit) any shares or stock of a member or any share or stock to which a person is entitled by transmission if:

i. for a period of six (6) years no cheque or warrant sent by the Company in the manner authorized by these Articles has been cashed and

ii. no communication has been received by the Company from the member, or any other person entitled, and during such period at least three (3) dividends in respect of the shares or stock in question have been declared payable by the Company

iii. the Company has at the expiration of the said period of 6 years by advertisement in a newspaper having national circulation given notice of its intention to sell such share or stocks; and

iv. the Company has not during the period of six (6) years preceding and six (6) months after the advertisement received any information reasonably satisfactory to the Directors as to either of the actual whereabouts or of the actual existence of the member or entitled person; and

v. the Company (if being then listed on a Securities Exchange) has given notice to the Security Exchange on which it is listed of its intention to make the sale.

(b) To give effect to any such sale the Directors may appoint any person to execute as transferor an instrument of transfer of such shares or stock:

i. The instrument of transfer shall be as effective as if it had been executed by the registered holder of, or the person entitled by transmission to such shares or stock and the title of the transferee shall not be affected by any irregularity or invalidity of the proceedings.

ii. The net proceeds of the sale shall belong to the Company which shall be obliged to account to the member or other person entitled for an amount equal to the net proceeds (after deducting the expenses of the advertisement and transaction costs of the Company properly incurred) and the Company shall enter the name of the former member or other person in the books of the Company as a creditor for that amount.

iii. No trust shall be created in respect of the debt, no interest shall accrue or be payable in respect of it and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments as the Directors think fit.

iv. If after a further period of three (3) years from the date of the instrument of transfer referred to above no claim has been made by the former member or person previously entitled to the net proceeds, the net proceeds shall become the absolute property of the Company and no person shall have any claim whatsoever against the Company arising there from.

DIRECTORS

Article 91. Unless and until otherwise from time to time determined by an ordinary resolution of the Company, the number of Directors (excluding alternates) shall not be less than five (5) nor more than eleven (11) in number. If at any time the number of Directors falls below the minimum number fixed by or in accordance with these Articles, the remaining Directors may act for the purpose of convening a general meeting or for the purpose of bringing the number of Directors to such minimum, and for no other purpose.

Article 92.

(a) At the Annual General Meeting following the Initial Public Offer and in each subsequent year thereafter, one third of the Directors other than the Managing Director and any other Director being at the time in the employment of the Company or any of its Subsidiaries for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than one third shall retire from office.

(b) So long as BAKHL holds at least ten percent (10%) or more of the nominal value of the issued and fully paid share capital of the Company excluding any shares hereafter issued pursuant to any share issuance pursuant to Article 13(c), BAKHL shall have the right to appoint, remove or replace (up to a maximum of two such nominated directors) one Director as their nominee in respect of each and every complete ten percent (10%) held by BAKHL of the issued and fully paid share capital of the Company excluding any shares hereafter issued pursuant to any share issuance pursuant to Article 13(c). All appointments, removals or replacements of Directors in respect hereof shall be by notice in writing served upon the Company Secretary.

Article 93. Notwithstanding the provision of Article 92 above, any Director who retires from office shall be eligible for re-election.

Article 94. No person, other than a Director retiring at a meeting, shall be eligible for appointment as a Director at any General Meeting, unless not less than seven nor more than twenty one days before the day appointed for the meeting, there shall have been delivered to the Secretary of the Company notice in writing signed by the Shareholder, duly qualified to attend and vote at the meeting for which the notice has been given, of his intention to propose such person for election and notice in writing, signed by the person to be proposed of his willingness to be elected.

Article 96. The Directors, other than those whose remuneration is determined by agreement between them and the Company, shall be entitled to such remuneration for their services as the Company may, from time to time, in General Meeting determine and such remuneration shall be divided among the Directors in such proportion and manner as they may determine or, failing such determination, equally, except that in such event any Director holding office for less than a year shall only rank in such division in proportion to the period during which he has held office during such year. The Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board, or of committees of the Board, or general meeting, or which they may otherwise properly incur in or about the business of the Company.

Article 98. Directors shall not be required to hold any share qualification but shall be entitled to receive notice of and to attend and speak at all General Meetings of the Company or at any separate meeting of the holders of any class of Shares of the Company.

ALTERNATE DIRECTORS

Article 99. Any Director may appoint another Director or any person to be his Alternate to act in his place at any meetings of the Board at which he is unable to be present.

POWERS AND DUTIES OF DIRECTORS

Article 104. The business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting the Company, and may exercise all such powers of the Company as are not, by the Act or by these Articles, required to be exercised by the Company in general meeting, and the exercise of the said powers shall be subject also to the control and regulation of any general meeting of the Company, but no resolution of the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been passed. PROVIDED ALWAYS THAT any resolution relating to the following matters shall not be deemed to have been passed if any Director appointed by BAKHL pursuant to Article 92(b) or his Alternate votes against it:

(a) the appointment of the Managing Director/Chief Executive Officer; or

(b) the appointment of the Financial Director/Chief Financial Officer.

Article 105. The Directors may from time to time appoint one or more of their body to the office of Managing Director or Manager for such period and on such terms and with such powers, and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way, and partly in another), as they may think fit.

Article 106. The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures, debenture stock, legal and equitable mortgages and charges and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or of any third party.

Article 110. A Director may contract with and be interested in any way, whether directly or indirectly, in any actual or proposed contract or arrangement with the Company, either as vendor, purchaser or otherwise, and shall not be liable to account for any profit made by him by reason of any such contract or arrangement, provided that the nature of the interest of the Director in such contract or arrangement is declared at the meeting of the Board at which the question is first taken into consideration if his interest then exists or, in any other case, at the next meeting of the Board held after he became interested and it shall be the duty of the Director so to declare his interest in accordance with Section 200 of the Act. No Director shall vote as a Director in respect of any contract or arrangement in which he is interested and, if he does vote, his vote shall not be counted but he shall, nevertheless, be counted in the quorum present at the meeting. These prohibitions may, at any time, be suspended or relaxed, to any extent, by the Company in General Meeting and they shall not apply:

a) to any arrangement for giving a Director any security for advances or by way of indemnity or to any allotment to or any contract or arrangement for the underwriting or subscription by a Director of Shares or securities of the Company; or

b) to any contract or dealing in which the Director is interested by reason only of his being a director or other officer, employee or nominee of any government or corporation or company which, being a Member of the Company or holding Shares in a corporation or company which is a Member of the Company, is interested in such contract or dealing whether directly or indirectly and this exception shall not cease to have effect merely by reason of the fact that the Director is also a shareholder or creditor of any such government, corporation or company or of any corporation or company in which it is interested.

DISQUALIFICATION OF DIRECTORS

Article 114. The office of Director shall be vacated if the Director:

(a) ceases to be or is prohibited from being a Director by virtue of any provision of the Act; or

(b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or

(c) becomes incapable by reason of mental disorder of exercising his functions as Director; or

(d) resigns his office by notice in writing to the Company; or

(e) is absent either in person or by his alternate, without the previous sanction of the Directors, for a period of more than Six months from meetings of the Directors held during such period and the Directors resolve that his office be vacated accordingly; or

(f) is absent either in person or by his alternate for three consecutive meetings of the Directors; or

(g) is removed by his appointor pursuant to Article 92(b).

Article 115. The Directors shall have power at any time, and from time to time, to appoint a person as an additional Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not exceed the maximum authorised by these Articles; but any person so appointed shall retire from office at the next following ordinary general meeting, but shall be eligible for election by the Company at that meeting as an additional Director but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Article 116. The Company may from time to time by ordinary resolution increase or reduce the number of Directors.

Article 117. The Company may by ordinary resolution, remove any Director (other than a Director nominated in accordance with Article 92(b) before the expiration of his period of office, and, without prejudice to the powers of the Directors under Article 115 hereof, may by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. Such power of removal may be exercised notwithstanding anything in these Articles or in any agreement between the Company and such Director but without prejudice to any claim such Director may have for damages for breach of contract of service between him and the Company.

PROCEEDINGS OF DIRECTORS

Article 118. Unless otherwise agreed by the Directors all meetings of the Board shall take place in Nairobi. Subject to the foregoing the Directors may meet together for the dispatch of business, adjourn and otherwise regulate its Meetings as it thinks fit… … … ….. Questions arising at any meeting shall be determined by a majority of votes and the Chairman shall have a second and casting vote in the event of any deadlock. The Secretary, on the instructions of a Director, shall at any time summon a Board meeting. At least fourteen clear days' notice (excluding of the date of service and the date of meeting) of all Board meetings shall, unless waived by all Directors, be given in the manner hereinafter mentioned to all Directors and Alternates. All such notices shall give reasonable particulars of the matters to be discussed and shall enclose copies of the relevant papers for discussion.

Article 119. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be four Directors present either personally or by Alternate, provided that one person whether a Director or not, although a duly appointed Alternate for any number of Directors, shall not constitute a quorum.

SECRETARY

Article 127. The Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.

DIVIDENDS AND RESERVE

Article 132. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Article 133. The Directors may from time to time pay to the members such interim dividends (including therein the fixed dividends payable upon any preference or other shares at stated times) as appear to the Directors to be justified by the profits of the Company.

Article 134. No dividend shall be paid otherwise than out of profits.

Article 136. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

Article 140. Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that One of the joint holders who is first named on the Register of members or to such persons and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the shares held by them as joint holders.

Article 141. No dividend shall bear interest against the Company.

Article 142. All dividends, interest or other sum payable and unclaimed for twelve (12) months after having become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 6 years after having been declared or become due for payment shall (if the Directors so resolve) be forfeited and shall cease to remain owing by the Company.

CAPITALISATION OF PROFITS

Article 148. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution: Provided that a share premium account and a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

METHOD OF PAYMENT OF DIVIDENDS

Article 153.

(a) Any dividend or other money payable in cash on or in respect of shares may be paid by:

  i. bank transfer or other automated system of bank transfer, electronic or mobile money transfer system, transmitted to such bank or electronic or mobile telephone address as shown in the share register of the Company or

  ii. by cheque or warrant payable at such place of business as the Company shall specify in writing, sent by post to the address of the member or person entitled to it as shown in the share register of the Company or if two or more persons are registered as joint holders of the shares, to the registered address of the joint holder who is first named in the share register of the Company or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct.

(b) Every such cheque or warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same (as described in Article 153 (a)(ii) aforesaid). Payment of the cheque or warrant, if purporting to be endorsed or enfaced, by the addressee or as the case may be, confirmation of payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile money transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payments system shall be sent at the risk of the person entitled to the money represented by it.

EMPLOYEE SHARE OPTION SCHEME

Article 162. The Directors may do all acts and things necessary to establish and carry into effect a trust scheme comprising of one or more Employee Share Option Plan ('ESOP') and/or Employee Share Purchase Plan ('ESPP') including drafting and amending the instruments of the ESOP and /or ESPP as the Directors in their sole discretion deem appropriate.

END OF EXTRACTS

14.9 Material Contracts

The following contracts are the only contracts entered into by the Company, otherwise than in the ordinary course of business, during the two years prior to the date of this document which are or may be material. Other than the reviewed contracts there have been no other major investments made in any other undertakings over the last five financial years and during the current financial year, nor has there been any acquisition or proposed acquisition by the Company or any of its Subsidiaries in the business undertaking of any other company, business or fixed asset. The material contracts are summarised below.

(i) By a Guarantee and Instrument of Deposit dated 11th January 2010, the Company offered 31,820,720 ordinary shares of Kshs 0.50/= each in Equity Bank Limited as security for the unpaid balance of Kshs 800,000,000/= borrowed from the Insurance Company (Details of the loan are provided in section 14.17 below). The Insurance Company may enforce this security upon occurrence of any of the following events:

- (a) The Company's failure to pay any amount due under the loan agreement;
- (b) Any default by the Company with respect to its obligations under the loan agreement;
- (c) If the Company becomes insolvent;
- (d) If any distress is levied or affects any of the Company's property or assets; and
- (e) If the Company is dissolved.

(ii) By a share purchase agreement dated 11th July 2007 made between the Company and CDC Group Plc, the Company agreed to purchase 5,635,000 fully paid up ordinary shares in Housing Finance Company held by CDC Group PLC for a consideration of Kshs 104,247,500/=. Under the agreement, neither the Company nor CDC Group Plc is entitled to rescind or terminate the agreement. The parties are only entitled to claim damages under the agreement and accordingly the parties waived their rights to rescission in respect of any matter other than fraud.

(iii) The Company is a party to a consultancy agreement dated 1st January 2003 between and British-American UK Ltd and the Insurance Company under which the Insurance Company retained British-American UK Ltd to provide Technical Consultancy Services at any time on a 24-hour basis during any day of the year. The contract was novated from the Insurance Company to the Company by way of a deed of novation dated 14th July 2006 which released the Insurance Company from liability under the agreement and the Company took over all rights and obligations of the Insurance Company under the agreement. The Agreement was for an initial term of three years and thereafter renewed for further one year terms unless and until either party serves a written notice of intention not to renew on the other party. The consideration payable under the agreement is the annual fee of Kshs 18,000,000/=. The consultancy services offered under the agreement are as follows:

- Management advisory functions in relation to the Group's regional operational units;
- Advisory functions in respect of new lines of business, products and marketing;
- Research, information gathering and recommendations relating to mergers and acquisitions and to capital investments;
- Operational visits outside the United Kingdom for staff recognition and Public Relation visits and for the evaluation of operational performance and senior management of regional units;
- Maintaining and developing professional relationships with United Kingdom and other foreign insurers, reinsures and investment advisers;
- Advice in relation to the Group's relationship with government, insurance and regulatory authorities;
- Research and development in relation to the Group's administration and business systems;
- Advice on the co-ordination of computerization and communications functions for the Group and programme management of enhancement implementations;
- Organisation of conferences and advice in relation to the training facilities available in the United Kingdom for staff of the Company; and
- Coordinating the annual business planning and budgeting processes.

(iv) The Company is a party to a Public Relations Agency Agreement dated 1st January 2010 between the Company and Blue Print Marketing Limited for a consideration of Kshs. 365,000 per month. Under the agreement, the Company has retained Blue Print Marketing Limited to act as the Company's principal public relations agency and to provide public Relation ideas & programmes as well as to recommend Public Relations strategies to the Company. The Agreement is for a period of 24 months from the commencement date unless earlier terminated in accordance with the terms of the Agreement. The termination clause of the Agreement provides that the Agreement may be terminated by either party by 30 days notice in writing where a party has breached of any provisions of the agreement and by 60 days notice in writing where no breach has been committed by either party.

(v) The Company is a party to a consultancy and service level agreement dated 20th December 2010 and made between the Company and Deloitte & Touche. Under the agreement the Company has retained Messrs. Deloitte & Touche to prepare an Enterprise Risk Management framework for the Company and to supply and install an Internal Audit, Risk Management and Compliance Software (known as BarnOwl) for a consideration of Kshs. 8,155,423/= exclusive of taxes. This fee comprises of Kshs. 3,990,423/= for the Enterprise Risk Management Consultancy and Kshs. 4,165,000/= relating to provision of BarnOwl software.

14.10 Statutory Licenses

Each of the companies in the Group has all the relevant trade licenses and business permits to operate within their fields of operation.

14.11 Property

14.11.1 The Company does not own any freehold or leasehold properties.

14.11.2 The Insurance Company owns the following properties:

(i) **Freehold**

(a) Plot L. R. No. 330/537 (Original Number 330/165/1) comprising one decimal nine nine eight (1.998) of an acre or thereabouts situate in the City of Nairobi. Conveyance dated 29th March 2007 registered in the Government Lands Registry in Nairobi in Volume N.50 Folio 230/30 File 9538

(b) Plot L. R. No. 1/138, known as Thompsons Glade, comprising one decimal six five five (1.655) of an acre or thereabouts situate in the City of Nairobi. Conveyance dated 23rd March 2010 registered in the Government Lands Registry in Nairobi in Volume N.88 Folio 86/15 File 9115.

(ii) **Leasehold**

(a) Plot L.R. No. 209/10520 Britak Centre, Mara/Ragati Road Junction Nairobi. Containing by measurement Nought decimal seven five six six (0.7566) hectares. The Lease is for 99 years from 1st of November 1986. Land Rent of Kshs. 85,600/- per annum payable in advance on 1st of January every year, to be revised every 33rd and 66th year of the term and to be increased at 4% of the unimproved freehold value of the land as assessed by the Commissioner of Lands. (Grant Number IR 41641).

(b) Plot L.R. No 209/12146 containing by measurement Nought decimal three three five one (0.3351) of an acre or thereabouts. The lease is for 99 years from 1st of April 1994. Land Rent of K.Shs.11,400/- per annum payable in advance on 1st of January every year and is to be revised every 10th year of the term. (Grant Number IR 62292).

(c) Plot L.R. No 209/12135 containing by measurement Nought decimal three one one eight (0.3118) of a hectare or thereabouts. The lease is for 99 years from 1st of March 1994. Land Rent of K.Shs.11,200/- per annum payable in advance on 1st of January every year and is to be revised every 10th year of the term. (Grant Number IR 63227).

(iii) **The Insurance Company has leased out the following premises in Britak Centre on L.R. No. 209/10520:**

(a) 509 sq ft on the 4th floor. Leased by African Quest Safaris for a term of Six years commencing 7th June 2004 and expiring 6th June 2010. Annual rent of Kshs 244,320/= to be revised upward by 20% at the commencement of the 3rd and 5th year. The lease is duly registered at the Lands Registry as I.R. 41641/35.

(b) 509 sq ft on the 3rd floor. Leased by Irurah David Mugweru, (Trading under then name and style of Applied Tax Consultants), for a term of Six years commencing 1st February 2006 and expiring 31st January 2012. Annual rent payable is Kshs 293,184/= to be revised upwards by 20% at the commencement of the 3rd & 5th year. The lease is duly registered at the Lands Registry as I.R. 41641/28.

(c) Total area of 14,158 sq ft on the 2nd and 3rd floor of the new wing. Leased by ECHO for a term of 12 years commencing 1 May 2011 and expiring on 30th April 2023. The agreement is renewable for a further term of 12 years. Monthly rent payable is Kshs 642,209/= to be revised at a rate of 20% after every two years of the term. The Lease is duly stamped but is not yet registered.

(d) 3150 sq ft of the 6th floor leased by Tourism Trust Fund for a term of Six years commencing 1st June 2008 and expiring on 31st January 2014. Monthly rent payable is Kshs 204,750/= to be revised upwards by 20% at the commencement of the 3rd and 5th year. The lease is duly registered at the Lands Registry as I.R. 41641/39.

(e) 1980 sq ft of the 1st floor leased by African Administration for Public Administration and Management for a term of Six years commencing 1st May 2009 and expiring 30th April 2015. Monthly rent payable is Kshs 128,700/= to be revised upwards by 20% at the commencement of the 3rd and 5th year. The lease is duly registered at the Lands Registry as I. R. 41641/40.

(f) 3150 sq ft of the 3rd floor of the old wing, leased by ECHO for a term of twelve (12) years commencing 16th December 2010 and expiring on the 30th of April 2023. Monthly rent payable is Kshs 236,250/= for the first year and Kshs 245,700/= for the second year to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(g) Licence to Safaricom for a term of six (6) years commencing 1st January 2007 and expiring on the 31st of December 2012. Monthly rent payable is Kshs 180,000/= to be revised upwards by 5% per annum.

(h) 4932 sq ft on the 4th floor leased by Koimburi Tucker for a term of seven (7) years commencing 1st January 2011 and expiring on 31st December 2017. Monthly rent payable is Kshs 369,900/= to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(i) 75 sq ft leased by Eldad Wachira for a term of (6) six years commencing 1st August 2007 to 31st July 2013. Monthly rent payable is Kshs 5,184/= to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(j) 5857 sq ft on the Ground Floor, leased by SASRA for a term of seven (7) years commencing 1st January 2011 and expiring 31st December 2017. Monthly rent payable is Kshs 439,275/= to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(k) 1197 sq ft on the1st Floor; leased by SID for a term of 5 years and 10 months effective from 1st June 2009 and expiring 30th April 2015. Monthly rent payable is Kshs 83,790/= to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(l) 6632 sq ft on the 1st Floor, leased by SASRA for a term of six (6) years commencing 1st July 2010 and expiring 30th June 2016. Monthly rent payable is Kshs 497,400/= to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(m) 3221 sq ft on the Ground floor, leased by Media Council of Kenya for a term of six (6) years commencing 1st December 2010 and expiring 30th November 2016. Monthly rent payable is Kshs 241,575/= to be revised upwards by 20% at the commencement of the 3rd and 5th year.

(n) 3200 ft 2 on the 7th floor, leased by ZTE Corporation for a period of six (6) years commencing 16th May 2009 and expiring 15th May. 2015. Monthly rent payable is 224,000 /= to be revised upward by 20% at the commencement of the 3rd and 5th year.

(iv) British-American Insurance Company (Kenya) Limited is currently leasing the following office premises:

(a) 2nd floor, south wing Jubilee House on Kisumu Municipality/Block 7/35. Total Area: 1950 sq ft. The Landlords are Sadrudin Tejpar and Roshan Tejpar of P.O. Box 965 – 40100 Kisumu. Monthly rent is at Kshs 82,500/= with an escalation of 10% every two years. Service charge is at 5% of the rent. The term of the leases is five (5) years one (1) month commencing 1st June 2009. The lease contains no option to renew upon expiry of the term.

(b) 1st floor Timau Plaza, Argwings Kodhek. Total Area 2079 sq ft. The premise has been leased out by Central Bank of Kenya Pension Fund, P. O. Box 6000-00200, Nairobi. Quarterly rent of Kshs 394,490.25/= with an escalation of 10% every 2 years. The lease is for a term of 6 years with effect from 1st August 2010.

(c) 1st Floor Co-operative Bank House, Meru. Total Area 2595 sq ft. The premise has been leased out by The Co-operative Bank of Kenya, P.O. Box 48321-00100, Nairobi. The annual rent payable is 1,117,303.20/= with an escalation of 20% every two years and an initial service charge of Kshs 46,710/=.

(d) 3rd floor Uhuru Plaza Rm. No. 301-05, Kisii. Total Area: 2100 sq ft. The premise has been leased out by Ouru Power Limited, P.O. Box 3769-40200, Kisii. Monthly rent of Kshs. 38,000/= payable quarterly in advance. The lease is for a term of 5 years commencing 1st January 2010.

(e) 8th floor, Imperial Court, Eldoret. Total Area: 5515 sq ft. The premise has been leased out by M.A. Hajee of P.O.Box 121, Eldoret. Monthly rent of Kshs 149,275/= with an escalation of 10% per annum. Annual service charge of Kshs 677,700/= to be reviewed at 4% per annum. The lease is for a term of 5 years 6 months commencing 1st April 2009.

(f) 2nd Floor of Thika Arcade. Total Area: 3146 sq ft. The premise has been leased out by Gatoka Limited, P.O. Box 24374, Nairobi. Quarterly rent of Kshs 244,633/= with an escalation of 10% per annum. Service Charge of Kshs 47,190/= payable per quarter. The lease is for a term of 6 years commencing 1st July 2008.

(g) 2nd floor of Consolidated Bank House, Embu. Total Area: 1653 sq ft. The premise has been leased out by Nationwide Finance Co. Ltd P.O. Box 67124. Monthly rent of 41,325/- Escalation of 15% every 2 years and service charge of Kshs 8,265/= per month. The lease is for a term of 6 years effective from 1st January 2010.

(h) 10th floor of Ambank House University Way. Total Area: 3185 sq ft. The premise has been leased out by University of Nairobi Pension Scheme, P. O. Box 30197, Nairobi. The annual rent payable is Kshs 1,337,700/=. The lease is for a term of 6 years commencing 1st March 2006.

(i) 1st floor Timau Plaza, Argwings Kodhek. Total Area: 2079 sq ft leased out by Central Bank of Kenya Pension Fund, P. O. Box 6000-00200, Nairobi. Quarterly rent of Kshs. 394,490.25 with an escalation of 10% every 2 years. The lease is for a term of 6 years with effect from 1st August 2010.

(j) 1st floor of Phoenix House. Total Area: 1802 sq ft, leased out by Union East African Trust Limited, P. O. Box 40592-00100. Monthly rent of Kshs 90,500/= with an escalation of 20% every two years and an initial monthly service charge of Kshs 27,015/=.

(k) Mezzanine II floor, on Biashara Bank Building, Nyerere Avenue, Mombasa. Total Area: 1970 sq ft, leased out by Hammond Holdings Limited and The Registered Trustees Bghwanji Raja Charitable Foundation of P. O. Box 30238. Rent payable is Kshs 74,800.90/= to be reviewed upwards by 12.5% every two years and a service charge rated at 15% on the total rent per month. The lease is for a term of 5 years 3 months commencing 1st December 2007.

(l) 1st floor of Cooperative Bank House, Nyeri. Total Area: 2000 sq ft leased out by Cooperative Bank of Kenya, P. O. Box 48231-00100, Nairobi. Monthly rent of Kshs 50,000 with an escalation of 10 % every 2 years and a monthly service charge of Kshs. 10,000/=. The term of the lease is 6 years commencing 1st October 2009.

(m) 5th floor, Soin Arcade, Westlands, on L. R. No. 209/11400 Nairobi. Total Area: 3233 sq ft leased out by Soin Limited, P. O. Box 7391-00200, Nairobi. Quarterly rent of Kshs. 436,455/= payable in advance. The lease is for a term of 6 years commenced 1st December 2009.

(n) 1st floor of C.K. Patel Building on Nakuru Municipality/Block 7/121. Total Area: 1797 sq ft leased out by C.K. Patel Limited P.O. Box 107, Nakuru. Monthly rent of Kshs. 45,688/= payable quarterly in advance. The lease is for a term of 6 years with effect from 1st August 2010.

(v) **British-American Asset Managers Limited is currently leasing the following premises:**

Part 19th floor, Ambank House University Way, Nairobi. Total Area: 1,190 square feet this includes a pro rata common area. The premise has been leased out by the Appointed Trustees of University of Nairobi Pension Scheme 2007. Annual rent is Kshs 499,800/= with an escalation of 15% every two years. The term of the lease is five (5) years and one (1) month commencing 1st March 2007. The lease contains no option to renew upon expiry of the term.

(vi) **Britam Insurance Company (Uganda) Limited is currently leasing the following premises:**

298 sq metres of Part 1st floor, Course View Towers, Kampala. The premises have been leased out by Course View Limited P. O. Box 7420, Kampala. Rent is initially at $ 16.0 per sq. m. per month with an escalation of 10% every two (2) years. The lease is for a term of 5 years commencing on 1st October 2010.

14.12 Investments

In the current financial year, the Company has increased its stake in Housing Finance Company of Kenya Limited from 12.55% to 16.57% by buying an additional 10,202,709 shares.

14.13 Insurance Policies

The Group has various insurance policies in force covering both the Company and its Subsidiaries for usual risks, valid until 31st December 2011. The aggregate annual premiums paid on these policies amount to Kshs. 32,525,212/= for the year 2011.

14.14 Plant and Equipment

The values of the Group's plant, equipment and other assets are detailed in the table below:

The Group	Assets include:	Total Fixed Asset Value (Less Depreciation) 31-Dec -10 Kshs' 000
British- American Investments Company (Kenya) Limited	Computer Equipment and Software	661
	Motor Vehicles	2,935
	Office Equipment, Furniture, Improvements & Fittings	560
	Total	**4,156**
British- American Insurance Company (Kenya) Limited	Computer Equipment and Software	128,606
	Motor Vehicles	2,794
	Office Equipment, Furniture, Improvements & Fittings	112,007
	Total	**243,407**
British-American Asset Managers Limited	Computers, Related Peripherals and Software	7,399
	Office Equipment, Furniture, Improvements & Fittings	19,436
	Total	**26,835**

14.15 Material Litigation

Neither the Company nor any of the subsidiaries save for the Insurance Company are engaged in any material litigations or proceedings outside the normal course of business. The vast majority of the claims currently in court are relating to circumstances whereby the Insurance Company has taken over a claim against an insured person under an insurance policy and are therefore claims against the Insurance Company in the ordinary course of business.

The following is a summary of the main material claims against the Company's subsidiaries:

	Case	Current Status	Possible liability of the Insurance Company
1.	High Court Civil Suit No. 524 of 2010 Zeubun Misa T.F. & Another Vs. Dr. Yamal Patel & Another	The case has been referred to the Medical Board.	The plaintiffs' claim is for Kenya Shilling 16,000,000/= in addition to a claim for compensation for loss of dependency. British American Insurance Company (Kenya) Limited, as the insurer for the 1st Defendant, has taken over the claim. The cover under the professional indemnity policy in Kshs. 25,000,000/=
2.	Civil Suit No. 46 of 2010 in the Senior Resident Magistrates Court Eric Mwaura Kiriko Vs. Professor John Atinga	No hearing date has been fixed.	The Plaintiff's claim is for Kshs 5,000,000/=. British-American Insurance Company (Kenya) Limited as the insurers for the Defendant, has taken over the claim.

14.16 Material Indebtedness

As at the date of this Prospectus the only outstanding debentures, mortgages, loan capital, material guarantees or other similar indebtedness or contingent liabilities encountered by the Company and its subsidiaries (other than inter - group loans) in the ordinary course of business are detailed below:

(i) The Company has two loan facilities with Commercial Bank of Africa totalling Kenya Shillings Seven Hundred and Fifty Million (Kshs. 750,000,000/=) made up as follows;

   (a) Term Loan 1 (dated 15th June 2007) for Kshs. 400,000,000/= to finance the purchase of 2,000,000 Equity Bank Shares and other investment programmes; and

   (b) Term Loan 2 (dated 12th August 2008) for Kshs. 350,000,000/= to finance the additional purchase of Equity Bank Shares as may be required by the Company.

The salient terms of the loan agreement are:

- Term Loan 1 was payable on the expiry of a period of 24 months from the date of the initial drawdown (29th October 2007);
- By an agreement dated 29th September 2009, the repayment period for Term Loan 1 was extended for a further period of 24 months. Based on the date of the initial drawdown, Term Loan 1 will be due and payable on 29th October 2011.
- Term Loan 2 will be due and payable on 31st July 2012.
- The security provided for the term loans is a lien in favour of Commercial Bank of Africa over the Company's original share certificate representing 77,181,850 shares held by the Company in Equity Bank Limited;
- The interest of the term loans is the Commercial Bank of Africa's base lending rate minus a margin of 2.5%. For more details refer to the bank borrowings section 12.3.
- The term loan facilities are reviewed annually. The next date of the review of the facilities is 30th June 2011.
- The term loans have been drawn down as follows:
    - 29th October 2007 – Kshs 110,000,000.00
    - 1st April 2008 – Kshs 20,000,000.00
    - 16th April 2008 – Kshs 201,000,000.00
    - 18th April 2008 – Kshs 30,000,000.00
    - 25th June 2008 – Kshs 10,000,000.00
    - 15th August 2008 – Kshs 350,000,000.00

Total amount Drawn Down is Kshs 721,000,000.00. The total interest on the draw down is Kshs 28.3 million.

(ii) By way of a loan facility letter dated 28th July 2003, Commercial Bank of Africa provided the Insurance Company with an overdraft facility of Kshs. 50,000,000/= for the purpose of financing any deficits in the Insurance Company's account and to facilitate payment of claims and life policy bonuses prior to the maturity of the Insurance Company's investments. The proposed method of repayment is direct payment from the business cash flow and amounts received by the Insurance Company on maturity of investments. The security for the overdraft is a lien in favour of CBA over a Treasury Bond of Kshs. 50,000,000/= issued by the Central Bank of Kenya. The above facility has been renewed every year since 2004 with the latest renewal being on the 27th June 2011 for a period of a further one year to 30th June 2012.

14.17 Inter – Company Borrowings

(i) On 18 August 2009 the Company's issued share capital in Asset Management was increased from Kshs 30,000,000 to Kshs 50,000,000. The remaining 2 shares are held by Benson Irungu Wairegi and Dominic Mwangi Kiarie respectively; and

- On 20 November 2009 the issued share capital of the Company in Asset Management was increased from Kshs 50,000,000 to Kshs 80,000,000.
- The outstanding Company loan to Asset Management now stands at Kshs 7,857,000 while the outstanding Insurance Company loan to Asset Management currently stands at Kshs 36,982,000.

(ii) By way of an Inter Company Loan Agreement dated 3rd June 2008, the Insurance Company advanced Kshs. 800,000,000/= to the Company. The salient terms of the loan agreement are as follows:

(a) The initial security for the loan was 16,250,000 ordinary shares in Housing Finance Company (Kenya) Limited held with the Central depository and Settlement Corporation Limited (CDSC) and 3,182,072 (pre- split) shares in Equity Bank Ltd under share certificate No. 007417;

(b) The interest rate of the loan is 11% per annum;

(c) The term of the loan is 36 months to be repaid in one instalment; and

(d) By an addendum to the loan agreement dated 23rd November 2009 the parties to the agreement agreed to the transfer of 17,250,000 shares in Housing Finance Company Limited at a price of Kshs. 14.40 per share as part payment of the loan and to secure the balance of the loan by a lien over 31,820,720 shares in Equity Bank limited held by the Company.

Status of repayment of the loan

By way of a letter dated 7th January 2011, the CMA gave its approval to the private transfer of 16,250,000 ordinary shares in Housing Finance Company (Kenya) Limited under section 31 of the Capital Markets Act and Regulation 57 of the Capital Markets (Licensing requirements) (General) Regulations 2002 to the Insurance Company. A Cautionary Notice was published pursuant to Regulations 61(2) and 63 of the Capital Markets (Licensing requirements) (General) Regulations 2002 to all of the Housing Finance shareholders on 5th February 2011informing them of the proposed transfer of shares in Housing Finance Company (Kenya) Limited by the Company to the Insurance Company. The balance outstanding under this loan is Kshs 751,465,231.

(iii) The Insurance Company has advanced the following mortgage loans to Directors of the Group:

Director's Name	Loan Balance 31-Dec-10 Kshs
Benson I Wairegi	1,128,807
Microland Investments Ltd (Director: Benson Irungu Wairegi)	7,289,377
Stephen O. Wandera	25,906,672
St. Paul Thomas Academy (Director: Peter Kahara Munga)	56,710,041
Njamu Limited (Director: Peter Kahara Munga)	23,002,931
Grand Total	**114,037,829**

The following is a summary of outstanding amounts with respect to car loans advanced to directors of the Group:

Director's Name	Car Loan 31-Dec-10 Kshs 000
Stephen Wandera	1,420
Dominic Kiarie	2,566
Total	**3,987**

(iv) The Insurance Company has granted loans to Employees of the Group which amounted to Kshs. 258,765,245/= as at 31st December 2010. All such employee loans are re-paid directly to the Insurance Company through monthly payroll deductions.

The Insurance Company has also granted loans to Agents of the Group, which amounted to Kshs 31,963,637 as at 31st December 2010. All such Agents loans are re-paid directly to the Insurance Company through deductions from commissions payable to the concerned Agents.

14.18 Control of the Company's Shares

(i) The Company has no contractual arrangement with a controlling shareholder required to ensure that the company is capable at all times of carrying on its business independently of any controlling shareholder.

(ii) Equity Holdings Limited is not a director of the Company although it holds over 10% shareholding (holds 27% of the capital of the Company), However, one of its shareholders with 47.3% in its equity is a director of the Company.

(iii) British-American (Kenya) Holdings Limited is not a director of the Company although it holds over 10% shareholding (holds 30.17% of the capital of the Company). However, the Chairman of the board is a secondee of the Company.

14.19 Changes in the Company and its Business

(i) There have been no changes in the trading objectives of the Company or its subsidiaries over the last two years, nor is any new trading objective foreseen in the near future.

(ii) There have been no interruptions in the business of the Company or its subsidiaries affecting the financial position of the Company or its subsidiaries in the last five years.

(iii) There has been no significant research and development of new products or processes over the past three financial years.

14.20 Documents delivered to the Registrar of Companies

A copy of this Prospectus has been delivered to the Registrar of Companies for registration with the written consents, approvals, material contracts, Accountants Report and Legal Opinion referred to in Section 14.23.

14.21 Legal Opinion

Daly and Figgis, Advocates have given a legal opinion dealing with the matters referred to in Regulation 6 (2) (b) of the Capital Markets (Securities) Public Offers, Listing and Disclosure Regulations. A copy of the opinion is set out in Appendix 1 of this Prospectus and is available for inspection as noted in Section 14.23(xviii).

14.22 General Information

(i) There are no founders', management or deferred shares in the share capital of the Company;

(ii) The share capital of the Company is not divided into different classes of shares and all shares carry equal rights;

(iii) No unissued share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option;

(iv) No share or loan capital of the company or its subsidiary has been issued to the public, or otherwise, in the last two years or is now proposed to be issued, fully or partly paid, for a consideration other than cash;

(v) No commission, discount, brokerage or other special terms have been granted by the Company within the periods since incorporation in connection with the issue or sale or any share or loan capital of the of any of the companies in the Group;

(vi) As at the date of this Prospectus, the Issued Share Capital of the Company is fully paid up;

(vii) The Company does not intend to carry on any other businesses that may be material with regard to the profit or loss, assets employed or any other factors affecting the current business;

(viii) Save for salaries and benefits received by the Directors of the Company and its subsidiaries under service contracts no amount or benefit has been paid or given within the two preceding years, nor is intended to be paid or given, to any promoter;

(ix) So far as the Directors of the Company are aware, save as disclosed in Section 14.15 of this Prospectus, there is no material litigation nor are there claims of material importance pending or threatened against the Company;

(x) Daly and Figgis Advocates have given and have not withdrawn their respective consents to the issue of this document with the inclusion therein of their reports and names and the references thereto in the form and context in which they appear respectively;

(xi) Brokerage commission at the Capital Markets Authority approved rate of 1.50% for Authorised Agents and 1.00% for Receiving Banks and other agents of the Offer will be paid by the Company on the Offer Price of all new ordinary Shares subscribed and allotted pursuant to the Offer and by the Vendor in respect of all Sale Shares subscribed and sold pursuant to the Offer in respect of Application Forms bearing the stamp of an authorised agent, provided that no brokerage fee will be paid if more than one stamp appears on any application;

(xii) The Company's Articles of Association do not stipulate a minimum number of shares required by an individual to allow for qualification as a Director of the Company;

(xiii) No amounts have been paid or agreed to be paid in cash or otherwise by any person to any present Director, or to any partnership, company, syndicate, or other association of which any Director is a member, either to induce him to become or to qualify him as a Director or for services rendered by any such Director or by any such partnership, company, syndicate or association in connection with the promotion or formation of the Company;

(xiv) No bankruptcy, receivership or similar proceedings have been taken against any member of the Group;

(xv) No options to purchase any securities of the Company have been granted to or exercised by any Director of the Company, its subsidiary or holding company within the period of one year prior to the date of this Prospectus;

(xvi) There are no principal future investments (new research and development) on which the Directors have already made firm commitments;

(xvii) There has been change in the direct and indirect interest of two Directors holding in excess of 3% of the share capital of the Company between the financial year of the Company ending 2009 and the date of publication of this Prospectus, See Section 10.3 of this Prospectus;

(xviii) There are no transactions which are or were unusual in their nature or conditions or significant to the business of the Group, effected during the current or immediately preceding year or any earlier financial year which remain outstanding or unperformed;

(xix) The Board may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue income notes, bonds, debentures and other securities. The borrowing powers of the Board have not been exceeded in the past three years;

(xx) Save as provided in Sections 12.4 and 14.17 above, the subsidiaries of the Company do not have any outstanding loan capital or indebtedness nor have they exceeded any applicable borrowing powers over the last three years;

(xxi) None of the Directors of the Group have in the last two years been subject to bankruptcy proceedings nor have they been barred by any court of competent jurisdiction from being a director or acting as an investment adviser or as a director or employee of a stockbroker, dealer, or any other financial service institution or from engaging in any type of business practice or activity; and

(xxii) There are no known planned investments in any new plant, factories or research and development in the current financial year.

14.23 Documents available for Inspection

Copies of the following documents may be inspected at the offices of the Group at Britak Centre, Mara/Ragati Road Junction, P.O. Box 30375 -00100, Nairobi during usual working hours from 2:00 p.m. on 12 July 2011 up to 2.00 p.m. on 5 August 2011.

(i) The Prospectus;

(ii) The Memorandum and Articles of Association of the Company;

(iii) A copy of the shareholders' resolution increasing the authorised share capital of the Company;

(iv) The consolidated audited accounts of the Group for the financial year ended 31st December 2010 and its subsidiary undertakings for each of the five financial years preceding the publication of the Prospectus, including all notes, reports or information required by the Companies Act;

(v) Copy of the Shareholders Resolutions approving the splitting of Shares from Kenya Shillings five (Kshs 5/=) per Share to Ten Kenya cents (Kcts 10) per Share, the increase in authorised share capital, conversion of the Company to a public company and the adoption of new Articles of Association of the Company;

(vi) Copy of the Directors Resolution authorising the listing of Shares on the NSE and the issue of the Offer;

(vii) Copies of Service Agreements with Senior Management;

(viii) Directors Service Contracts;

(ix) The Auditors Report;

(x) Trust Deed of the Insurance Company Staff Pension Plan;

(xi) Actuary Report on the Pension Scheme dated 31 December 2010;

(xii) Management Accounts for four months period to 30 April 2011;

(xiii) The Accountants' Report and Statement of Adjustments;

(xiv) The Material Contracts referred to in Section 14.9 above;

(xv) Approval for the Offer for Sale, issue of shares and listing from Capital Markets Authority;

(xvi) Approval for admission for listing on the Main Investment Market Segment of the Nairobi Stock Exchange;

(xvii) Written consents from the experts referred to herein for the issue of the Prospectus;

(xviii) The Legal Opinion;

(xix) Credit facility letters from CBA;

(xx) Authorised Selling Agents Agreement;

(xxi) Actuarial Valuation and Embedded Value Report;

(xxii) Property valuation report by Gimco Limited on 31 December 2010; and

(xxiii) Lock in Agreements with existing Shareholders.

15. Directors' Statement

We hereby declare that to the best of our knowledge information and belief (having taken all reasonable care to ensure that such is the case) all information contained in this Prospectus and the statements contained in the reports herein are correct, and neither the Board of Directors' minutes, audit reports nor any other internal documents contain information, which could distort the interpretation of the report or affect the import of such information.

The Board of Directors of the Company confirm that in their opinion the working capital available to the Company and its subsidiaries is sufficient for its present requirements.

There have been no audited or interim financial statements of the Company that have been published subsequent to 31 December 2010 to the date of this Prospectus. The Directors of the Company are not aware of any significant changes in the financial or trading position of the Group that has occurred since the financial year ended 31 December 2010.

The directors have not committed any serious offence nor does there exist any civil or criminal legal proceeding involving directors of the Company that may be considered to affect the integrity or be inappropriate for the management of a company listed on the NSE. The Company is not in breach of any of its loan covenants.

The Issued Capital of the Company (including the amount to be raised in pursuance of this Offer) is adequate for the purposes of the Company and of its subsidiaries for the foreseeable future.

Yours faithfully,

Benson I. Wairegi
Group Managing Director

Nancy K. Kiruki
Company Secretary

APPENDICES

Appendix 1	Legal Opinion
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Appendix 1: Legal Opinion

The Directors
British American Investments Co. (Kenya) Ltd.
Britak Centre
Junction of Mara and Ragati Roads
Upper Hill
P O Box 30375
NAIROBI 00100

Gentlemen,

Opinion under Regulation 6(3) (b) of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (as amended in 2008) ("the Regulations") in connection with the offer for subscription of 650,000,000 New Ordinary Shares of par value Kenya Cents ten (K.Cts.-/10) each in British-American Investment Company (Kenya) Limited ("BAICL" or "the Company") (referred to as 'the Offer') and the issue of a prospectus to the public ("the Prospectus").

We have acted as the legal advisors to the Company in connection with the Prospectus of even date herein to be issued by the Company in respect to the Offer. The abbreviations and terms used in this opinion are those defined in the Prospectus.

For the purposes of this Opinion we have assumed that:-

(a) All information supplied to us by the Company and its officers and advisors is true, accurate and up to date, with no errors or omissions.

(b) All copies of, and signatures on, the documents supplied to us for the purposes of this Opinion are authentic.

In accordance with the terms of Regulation 6(3) (b) of the Regulations and based upon the information supplied to us, we are of the opinion that:-

1. Licences and Consents

(i) BAICL is a company limited by shares, duly incorporated in Kenya pursuant to the provisions of the Companies Act (Chapter 486 of the Laws of Kenya), with the power to execute, deliver and exercise its rights and perform its obligations pursuant to the Offer, and such execution, delivery and performance have been duly authorized by appropriate corporate action.

(ii) BAICL is a holding company and as such does not operate any business and as such does not require any license or consents for the operation of any business. Its business operations are conducted by its subsidiaries, British-American Insurance Company (Kenya) Limited ("**Insurance Company**"), British-American Assets Managers Limited and Britam Insurance Company (Uganda) Limited (**the "Subsidiaries"**).

The Subsidiaries all have licences and consents required to operate their businesses.

2. Ownership of Assets

The Company does not own any property other than its shareholdings in the Subsidiaries. Property and assets are owned by Insurance Company. There is valid evidence of ownership of all land owned by Insurance Company as listed in Section 14.11 of the Prospectus and to the extent issued, plant and equipment owned by the Group as listed in Section 14.14 of the Prospectus.

3. Proposed Offer of Shares

The Company has entered into the following agreements/ arrangements in respect of the Offer:-

(i) Agreements between the Company and the Receiving Banks;

(ii) Agreement between the Company and the Share Registrar;

(iii) Agreements between the Company and the Authorized Selling Agents named in the Prospectus.

4. Material Litigation and Claims

To best of our knowledge, information and belief, after due enquiry, save as disclosed in Section 14.15 of the Prospectus, there is no material litigation, prosecution or other civil or criminal legal action in which the Company or any of its Subsidiaries is involved.

None of the Directors of the Company or the Subsidiaries are, to our knowledge, information and belief, after due enquiry, involved in any material litigation, prosecution or other civil or criminal legal action

5. Share Capital

The existing share capital of the Company and the Subsidiaries is in conformity with applicable laws and has received all necessary authorizations.

Subject to the above we are of the Opinion that there are no other material matters with respect to the legal status of the Company, the Subsidiaries and the Offer.

We as the legal advisors to the Company confirm that we have given and have not, prior to the date of the Prospectus, withdrawn our consent to the inclusion of the Legal Opinion in the form and context in which it appears.

Yours faithfully,

DALY & FIGGIS

Appendix 2: Accountants Report on Projections

pwc

The Directors

British-American Investments Company (Kenya) Limited

Britak Centre, Junction of Mara and Ragati Roads, Upper Hill

Nairobi

29 June 2011

Subject: Report on 2011 forecast financial performance- British-American Investments Company (Kenya) Limited

Dear Sirs

We have examined the Forecast financial performance ('the Forecast') for British-American Investments Company (Kenya) Limited ("British-American" or "the Company") set out in Appendix 2.1, in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information (ISAE 3400 - The Examination of Prospective Financial Information).

The Forecast has been prepared for the purposes of inclusion in the British-American Prospectus to be issued to support the listing and sale of the Company's shares on the Nairobi Stock Exchange.

Responsibilities of the directors

The Board of Directors are responsible for the Forecast including the assumptions set out in Appendix 2.1 on which it is based.

Our responsibilities

Our responsibilities are detailed in our contract of engagement dated 20 January 2011. The objective of the engagement was to enable us to state whether, on the basis of carrying out certain review procedures, anything has come to our attention that causes us to believe that the Forecast was not prepared, in all material respects, in accordance with the disclosed assumptions and whether anything has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Forecast.

Review conclusion

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Forecast. Further, in our opinion the Forecast is properly prepared on the basis of the assumptions.

Cautionary statement

Even if the events anticipated under the hypothetical assumptions described in the forecast below occur, actual results are still likely to be different from the projection since anticipated events frequently do not occur as expected and the variation may be material.

Consent

We consent to the inclusion of this report in the British-American Prospectus to be issued on or about 30 June 2011 in the form and context in which it appears.

PricewaterhouseCoopers

Certified Public Accountants

29 June 2011

Nairobi

PricewaterhouseCoopers Certified Public Accountants. The Rahimtulla Tower, Upper Hill Road
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Appendix 2.1 British-American Investments Company (Kenya) Limited

Forecast financial performance for the year ending 31 December 2011

	Forecast 31-Dec-11 Kshs'000
Gross earned premiums	5,541,244
Less: reinsurance premium ceded	(839,888)
Net earned premiums	**4,701,356**
Fund management fees	294,371
Net earned premiums and management fee	**4,995,727**
Investment income	1,759,736
Commissions earned	194,456
Other income	113,032
Net income	**7,062,951**
Claims and policy holder benefits payable	3,486,881
Less: amount recoverable from reinsurers	(424,048)
Net claims payable	**3,062,833**
Operating and other expenses	1,716,341
Commissions payable	1,115,107
	2,831,448
Profit before income tax	1,168,670
Income tax expense	(140,532)
Profit for the year after tax	**1,028,138**
Other comprehensive income	945,895
Total comprehensive income	**1,974,033**

Key assumptions

The following assumptions have been made by the directors in the preparation of the forecast financial performance for the year ending 31 December 2011:

1) Macro-economic Assumptions

Assumption	Forecast 2011
Economic growth	4.5%
Inflation	8%
Exchange rates (KES to the US dollar)	83
Central Bank Rate	6%

2) Group Specific Assumptions

The IPO gross proceeds of KES 5.85 billion will be used as follows:

Use of funds	Amount Kshs' million
Regional expansion	1,000
Development and expansion of operations in the core Kenyan market	1,280
Property development	2,500
Redemption of debt	750
Expenses of the Offer	320
Total	5,850

The Group will start subsidiary operations in Tanzania and South Sudan. These operations will make losses of Kshs 15 million and Kshs 16 million respectively as this will be the initial period of operation.

The Group's general insurance business in Kenya will grow by 19%

The Group's Kenyan life insurance business will grow by 19%. The targeted business mix is 95% conventional life and 5% unit linked business.

Key financial ratios will be as follows:

Ratio	Calculation methodology	Forecast 2011
General Insurance Business retention ratio	Net earned premiums/gross earned premiums x100	76%
Life Insurance Business retention ratio	Net earned premiums/gross earned premiums x 100	94%
Commission income ratio- general business	Commission earned/ reinsurance premium x100	23%
Commission income ratio- life business	Commission earned/ reinsurance premium x100	22%
Commission expense ratio- general business	Commission expense/Gross earned premium x100	17%
Commission expense ratio- life business	Commission expense/Gross earned premium x100	23%
General insurance business loss ratio	Net claims incurred/net earned premiums x 100	63%
Expense ratio – general business	Expenses /net premiums x 100	16%
Expense ratio – Life business	Expenses /net premiums x 100	30%

The Group's investment income will mainly be impacted by the following:

- The Group's portfolio of shares listed on the Nairobi Stock Exchange will increase in value by an average of15%.
- Increase in short term interest rates from 2% to 2.5%

Asset management business

Funds under management to increase by 38% to Kshs 23,838 million as a result of growth in the values of underlying assets

No significant changes expected to the fee structure in the Unit Trust Funds. Fees for funds under discretionary management will increase from 0.25% to 0.4% per annum.

These projections were approved by the Board of directors on 29 June 2011 and signed on behalf of the Board by:

BWairegi

Benson I. Wairegi
Group Managing Director

Appendix 3: Accountants Report

Private & Confidential
The Directors
British-American Investments Company (Kenya) Limited
Britak Centre, Junction of Mara and Ragati Roads, Upper Hill
Nairobi

29 June 2011

Reporting Accountant's report – British-American Investments Company (Kenya) Limited

Dear Sirs

We are pleased to submit our Accountant's Report in accordance with Section 19 of the Third Schedule of the Companies Act 486, and Part A of the Third Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (hereafter referred to as "the Regulations").

Responsibility of the directors

As directors of British-American Investments Company (Kenya) Limited ("the company"), you are responsible for the Prospectus to be issued on or about 30 June 2011 and for all information contained therein, and for the financial statements and information to which this Accountant's Report relates and from which it has been prepared.

Our responsibility

You required us to prepare and produce an Accountant's Report to be included in the Prospectus to be issued to support the listing of the ordinary shares of British-American Investments Company (Kenya) Limited

Our responsibility is detailed in our letter of engagement dated 20 January 2011. The objective of the engagement was to enable us to state whether, on the basis of our review procedures which do not provide all the evidence that would be required in an audit, anything has come to our attention that causes us to believe that the financial statements were not prepared, in all material respects, in accordance with International Financial Reporting Standards.

Criteria and procedures used

The services in respect of the British-American Investments Company (Kenya) Limited financial statements were performed in accordance with the International Standard on Related Services 4410 – Engagements to Compile Financial Statements ("ISRS 4410") and the International Standard on Review Engagements 2400– Engagements to Review Financial Statements ("ISRE 2400"). The financial information included in the Prospectus of the British-American Investments Company (Kenya) Limited was compiled from the audited financial statements for the years ended 31 December 2006, 2007, 2008, 2009 and 2010 (together, "the financial statements"). Adjustments arising from the review engagement were incorporated in preparing the Accountant's Report.

To enable us prepare an Accountant's Report, we carried out procedures to satisfy ourselves that the information presented in the financial statements was in accordance with Section 19 of the Third Schedule of the Companies Act 486, and Part A of the Third Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002. To this end we carried out the following procedures:

- reviewed the financial statements of the company for each of the five years ended 31 December 2006, 2007, 2008, 2009 and 2010 for compliance with International Financial Reporting Standards (IFRS) and consistency of application of accounting policies;

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Partners: A Eriksson B Kimacia P Kinisu K Muchiru M Mugasa P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah

- made enquiries from the company's management with respect to significant matters relevant to the financial information;
- reviewed other evidence relevant to the companies' financial statements; and
- reviewed the rest of the Prospectus document for consistency of financial information by our Accountant's Report.

The information required by the Third Schedule of the Regulations to be disclosed in the Prospectus is set out in appendix A of this report. The appendix forms an integral part of this report. The information has been compiled in accordance with International Standard on Related Services 4410, Engagements to Compile Financial Statements ("ISRE 4410"), from the audited financial statements of British-American Investments Company (Kenya) Limited for the years ended 31 December 2006, 2007, 2008, 2009 and 2010. As required by ISRE 4410, we have made enquiries of management about the operations of the company and its accounting principles and practices, and have applied that knowledge in compiling the financial statements. We have also applied knowledge obtained from carrying out review procedures on the financial statements, the scope and results of which are reported in appendix A below.

PricewaterhouseCoopers was the auditor of British-American Investments Company (Kenya) Limited for the 5 years ended 31 December 2010. All of the financial statements from which the financial information in Appendix A was compiled received an unqualified audit opinion.

Financial information

We have presented the consolidated financial statements of the British-American Investments Company (Kenya) Limited in Appendix A for the five years ended 31 December 2010, including notes to the financial statements.

We identified the following matters during the course of our review:

1. Presentation of financial information

A number of International Financial Reporting Standards have been amended or introduced in the period under review as summarised in the table below:

Standard	Years affected	Impact
IAS 1 – Presentation of Financial Statements	2006 to 2010	Capital risk disclosures Changes to the titles of financial statements Presentation of owner and non-owner changes in equity in two statements, a statement of comprehensive income and a statement of changes in equity respectively, with no impact on earnings per share.
IFRS 7 – Financial Instruments: Disclosure	2006 to 2010	New disclosures to improve the information about financial instruments. Additional disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. Enhanced disclosures about fair value measurement and liquidity risk. In particular, the disclosure of fair value measurements by level of fair value measurement hierarchy.
IAS 24 – Related Party Disclosures	2006 to 2010	The identification of related parties and some related party disclosures.
IAS 39 – Financial Instruments: Recognition and Measurement	2006 to 2010	Recognition of fair value gains on Financial instruments
IFRS 2: Group Cash-Settled Share-based Payment Transactions	2006 to 2010	The amendment clarifies the accounting for group cash-settled share-based payment transactions.
IAS 27 Consolidated and Separate Financial Statements	2006 to 2010	Effects of all transactions with non-controlling interests will be recorded in equity if there is no change in control which will not result in goodwill or gains and losses. Any remaining interest in the entity when control is lost is to be re-measured to fair value and a gain or loss recognised in profit or loss

IFRS 3 Business Combinations	2006 to 2010	Amendment require that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
IFRIC 17 Distributions of Non-cash Assets to Owners	2006 to 2010	Dividend payable is to be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity

Review conclusion

A review carried out in accordance with ISRE 2400 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. However, based on our review, nothing has come to our attention that causes us to believe that the audited financial statements of British-American Investments Company (Kenya) Limited for each of the five years ended 31 December 2010 do not give a true and fair view in accordance with International Financial Reporting Standards.

Consent

We consent to the inclusion of this report in the British-American Investments Company (Kenya) Limited Prospectus to be issued on or about 30 June 2011 in the form and context in which it appears.

PricewaterhouseCoopers

Certified Public Accountants

Nairobi, Kenya

Appendix A to the Accountants Report: Financial information for the British American Investments Company (Kenya) limited.

Consolidated income statements for the five years ended 31 December 2010

	Notes	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
Gross earned premiums	5	4,333,428	3,782,606	3,167,289	2,509,775	2,018,213
Less: reinsurance premium ceded		(674,672)	(504,552)	(376,378)	(501,311)	(385,426)
Net earned premium		3,658,756	3,278,054	2,790,911	2,008,464	1,632,787
Fund management fees		195,852	118,404	153,683	150,666	68,313
Net earned premiums and management fee		**3,854,608**	**3,396,458**	**2,944,594**	**2,159,130**	**1,701,100**
Investment income	6	4,684,634	196,169	509,137	2,492,568	1,109,349
Commissions earned		209,514	176,739	196,611	160,986	102,910
Other income	7	220,439	32,135	35,105	37,317	18,454
Net income		**8,969,195**	**3,801,501**	**3,685,447**	**4,850,001**	**2,931,813**
Claims and policy holder benefits payable		4,084,669	2,134,171	1,718,322	1,571,564	1,578,183
Less: Amount recoverable from reinsures		(266,562)	(160,676)	(156,268)	(154,502)	(141,610)
Net claims and policyholder benefits payable	8	3,818,107	1,973,495	1,562,054	1,417,062	1,436,573
Operating and other expenses	9	1,316,822	1,222,876	921,790	695,205	595,329
Commissions payable		960,677	939,464	861,536	625,556	413,546
Profit/ (loss) before income tax		**2,873,589**	**(334,334)**	**340,067**	**2,112,178**	**486,365**
Income tax expense	11	(159,805)	(86,789)	(97,500)	(83,946)	(42,066)
Profit / (loss) for the year after tax		**2,713,784**	**(421,123)**	**242,567**	**2,028,232**	**444,299**
Basic and diluted earnings per share (Shs)	13	90.46	(14.04)	8.09	67.61	14.81

Consolidated statement of comprehensive income for the five years ended 31 December 2010.

	Notes	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
Profit/ (loss) for the year		2,713,784	(421,123)	242,567	2,028,232	444,299
Other comprehensive income: Items net of tax						
Gains on revaluation of land and buildings	15	13,533	32,755	9,598	14,544	4,916
Gains/ (losses) on revaluation of available-for-sale financial assets	18(ii)	2,755,565	(731,999)	576,445	2,380,893	495,525
Total other comprehensive income/ (loss)		2,769,098	(699,244)	586,043	2,395,437	500,441
Total comprehensive income/ (loss) for the year		5,482,882	(1,120,367)	828,610	4,423,669	944,740

Consolidated statement of financial position for the five years ended 31 December 2010

	Notes	31 Dec 10 Kshs'000	31 Dec 09 Kshs'000	31 Dec 08 Kshs'000	31 Dec 07 Kshs'000	31 Dec 06 Kshs'000
Capital Employed						
Share capital	14	150,000	150,000	150,000	150,000	150,000
Other reserves	12	6,127,936	3,207,206	3,728,524	3,106,964	711,527
Retained earnings		4,092,044	1,729,892	2,448,941	2,361,890	444,524
Proposed dividends	13	200,000	120,000	120,000	120,000	60,000
Shareholders' funds		**10,569,980**	**5,207,098**	**6,447,465**	**5,738,854**	**1,366,051**
Assets						
Property and equipment	15	581,420	520,933	428,423	263,446	227,322
Intangible assets	16	91,878	78,098	64,725	55,725	65,773
Investment property	17	1,173,571	1,092,785	844,115	869,958	744,471
Available for sale quoted investments	18(ii)	5,979,690	3,282,105	3,991,729	3,377,797	971,903
Financial assets at fair value through profit and loss:						
-quoted ordinary shares	18(i)	7,535,861	4,608,842	4,971,225	4,184,008	1,827,619
-unquoted ordinary shares	19	50,490	-	-	-	-
-government securities	25(i)	361,360	523,561	648,913	735,912	861,056
-unit trusts	26	4,265,612	2,122,003	926,914	397,729	137,965
Government securities held to maturity	25(ii)	2,109,214	1,573,543	754,461	327,458	94,495
Corporate bond		305,717	287,848	104,223	2,009	7,300
Mortgage loans	20	576,464	659,877	713,347	766,302	731,989
Loans to policy holders	21	303,418	357,789	362,962	299,348	256,040
Secured loans		-	-	-	-	63,312
Receivables arising out of reinsurance arrangements		10,081	54,090	48,016	3,946	1,673
Receivables arising out of direct insurance arrangements		161,277	196,757	198,090	238,682	130,504
Reinsures' share of insurance liabilities	22	463,893	275,956	203,291	213,982	227,197
Receivables from related parties	42	2,696	33,060	48,796	38,412	32,221
Deferred acquisition costs	23	73,461	52,941	34,660	19,182	15,961
Deferred income tax asset	37	11,789	22,662	6,246	6,320	-
Current income tax receivable		-	13,785	-	-	-
Non-current assets held for sale		-	-	-	-	92,087
Other receivables	24	388,547	159,492	196,101	211,426	175,289
Deposits with financial institutions	40	500,102	206,640	421,448	66,925	29,251
Cash and bank balances	40	415,376	193,040	109,971	148,472	100,764
Total assets		**25,361,917**	**16,315,807**	**15,077,656**	**12,227,043**	**6,794,192**
Liabilities						
Insurance contract liabilities	28	6,346,198	4,950,516	4,493,616	4,151,867	3,480,013
Amount payable under deposit administration contracts	34	3,268,977	2,754,617	1,840,841	1,264,923	942,347
Liabilities under investment contracts	33	3,183,016	1,640,902	747,582	267,235	93,692
Unearned premium	36	715,745	567,373	388,508	207,499	194,234
Creditors arising from reinsurance arrangements		60,011	17,334	2,438	62,019	74,143
Retirement benefit liability	44	25,715	35,433	23,707	-	-
Bank loan	35	749,318	747,618	777,416	122,322	185,083
Other payables	38	418,408	283,764	289,787	349,856	309,230
Dividends payable		-	60,000	-	-	30,000
Overdraft	40	1,360	51,152	61,334	32,910	92,894
Current income tax payable		23,189	-	4,962	29,558	26,505
Total liabilities		**14,791,937**	**11,108,709**	**8,630,191**	**6,488,189**	**5,428,141**
Net assets		**10,569,980**	**5,207,098**	**6,447,465**	**5,738,854**	**1,366,051**

Company statement of financial position

CAPITAL EMPLOYED	Notes	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
Share capital	14	150,000	150,000	150,000	150,000	150,000
Retained earnings		3,330,535	1,223,625	1,979,338	1,866,770	157,321
Proposed dividend	13	200,000	120,000	120,000	120,000	60,000
Shareholders' funds		**3,680,535**	**1,493,625**	**2,249,338**	**2,136,770**	**367,321**
Represented by:						
Assets						
Property and equipment	15	3,989	4,784	5,007	-	-
Intangible assets	16	197	197	-	-	-
Investment in subsidiary companies	43	760,000	560,000	480,000	330,000	180,000
Financial assets at fair value through profit or loss	18(i)	4,380,171	2,354,048	3,217,968	2,483,356	685,318
Receivables from related parties	42	25,303	20,900	50,000	-	-
Other receivables	24	4,500	-	830	591	363
Deposit with financial institutions		8,490	5,873	32,000	4,312	-
Cash and bank balances		10,407	2,077	192	3,822	629
Total assets		**5,193,057**	**2,947,879**	**3,785,997**	**2,822,081**	**866,310**
Liabilities						
Bank loan	35	749,318	747,618	777,416	122,322	-
Amounts due to related parties	42	751,465	640,505	744,794	552,381	468,540
Dividends payable		-	60,000	-	-	30,000
Other payables	38	11,739	6,131	14,449	10,608	449
Total liabilities		**1,512,522**	**1,454,254**	**1,536,659**	**685,311**	**498,989**
Net assets		**3,680,535**	**1,493,625**	**2,249,338**	**2,136,770**	**367,321**

Consolidated statement of changes in Equity for the year ended 31 December 2006

	Notes	Share Capital	Other reserves	Retained Earnings	Proposed Dividends	Total equity
Year ended 31 December 2006		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At 1 January 2006		150,000	211,086	60,225	30,000	451,311
Total comprehensive income for the year						
Profit for the year		-	-	444,299	-	444,299
Other comprehensive income:						
Revaluation gain on building	15	-	4,916	-	-	4,916
Revaluation gain on available for sale quoted investments	18(ii)	-	495,525	-	-	495,525
Total other comprehensive income			500,441			500,441
Total other comprehensive income for the year		-	500,441	444,299	-	944,740
Transactions with owners						
Dividends:						
-Final for 2005		-	-	-	(30,000)	(30,000)
-Proposed final for 2006	13	-	-	(60,000)	60,000	-
Total transactions with owners		**-**	**-**	**(60,000)**	**30,000**	**(30,000)**
At end of year		**150,000**	**711,527**	**444,524**	**60,000**	**1,366,051**

Consolidated statement of changes in Equity for the year ended 31 December 2007

	Notes	Share Capital	Other reserves	Retained Earnings	Proposed Dividends	Total equity
Year ended 31 December 2007		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At 1 January 2007		**150,000**	**711,527**	**444,524**	**60,000**	**1,366,051**
Total comprehensive income						
Profit for the year		-	-	2,028,232	-	2,028,232
Other comprehensive income						
Revaluation gain on building	15	-	14,544	-	-	14,544
Revaluation gain on available for sale quoted investments	18(ii)	-	2,380,893	-	-	2,380,893
Deferred tax		-	-	9,134	-	9,134
Total comprehensive Income for the year			**2,395,437**	**2,037,366**		**4,432,803**
Transactions with owners						
Dividends:						
-Final for 2006		-	-	-	(60,000)	(60,000)
-Proposed final for 2007	13	-	-	(120,000)	120,000	-
Total transaction with owners		**-**				
		-	**-**	**(120,000)**	**60,000**	**(60,000)**
At end of the year		**150,000**	**3,106,963**	**2,361,890**	**120,000**	**5,738,854**

Consolidated statement of changes in Equity for the year ended 31 December 2008

	Notes	Share Capital	Other reserves	Retained Earnings	Proposed Dividends	Total equity
Year ended 31 December 2008		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At 1 January 2008		150,000	3,106,963	2,361,890	120,000	5,738,854
Revaluation gain on building	15	-	9,598	-	-	9,598
Revaluation gain on available for sale quoted investments	18	-	576,445	-	-	576,445
Total other comprehensive income		**-**	**586,043**	**-**	**-**	**586,043**
Profit for the year		-	-	242,567		242,567
Total comprehensive income for the year		**-**	**586,043**	**242,567**	**-**	**828,610**
Transfer to other reserves	12	-	35,517	(35,517)	-	-
Transaction with owners						
Dividends	13					
-final for 2007 paid	13	-	-	-	(120,000)	(120,000)
-proposed final for 2008	13	-	-	(120,000)	120,000	
-Total transaction with owners		-	-	(120,000)	-	(120,000)
At end of year		**150,000**	**3,728,523**	**2,448,940**	**120,000**	**6,447,465**

Consolidated statement of changes in Equity for the year ended 31 December 2009

	Notes	Share Capital	Other reserves	Retained Earnings	Proposed Dividends	Total equity
Year ended 31 December 2009		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of the year		150,000	3,728,524	2,448,941	120,000	6,447,465
Total comprehensive income for the year						
Loss for the year		-	-	(421,123)	-	(421,123)
Other comprehensive income:						
Gains on revaluation of land and buildings	15	-	32,755	-	-	32,755
Fair value gains on available-for-sale financial assets	18(ii)	-	(731,999)	-	-	(731,999)
Total other comprehensive income			(699,244)			(699,244)
Total comprehensive income for the year		**-**	**(699,244)**	**(421,123)**	**-**	**(1,120,367)**
Transfer to other reserves	12		177,926	(177,926)	-	-
Transactions with owners						
Dividends:						
- Final for 2008 paid		-	-	-	(120,000)	(120,000)
- Proposed final for 2009	13	-	-	(120,000)	120,000	-
Total transactions with owners	-	-	-	(120,000)	-	(120,000)
At end of year		**150,000**	**3,207,206**	**1,729,892**	**120,000**	**5,207,098**

Consolidated statement of changes in equity for the year ended 31 December 2010

	Notes	Share Capital	Other reserves	Retained Earnings	Proposed Dividends	Total equity
Year ended 31 December 2010		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year		150,000	3,207,206	1,729,892	120,000	5,207,098
Total comprehensive income for the year						
Profit of the year		-	-	2,713,784	-	2,713,784
Other comprehensive income:						
Gains on revaluation of land and buildings	15	-	13,533	-	-	13,533
Fair value losses on available-for-sale financial assets	18(ii)	-	2,755,565	-	-	2,755,565
Total other comprehensive income		-	2,769,098	-	-	2,769,098
Total comprehensive income for the year		-	2,769,098	2,713,784	-	5,482,882
Transfer to other reserves		-	151,632	(151,632)	-	-
Transactions with owners						
Dividends:						
- Final for 2009 paid		-	-		(120,000)	(120,000)
- Proposed final for 2010	13	-	-	(200,000)	200,000	-
Total transactions with owners		-	-	(200,000)	80,000	(120,000)
At end of year		**150,000**	**6,127,936**	**4,092,044**	**200,000**	**10,569,980**

Consolidated statements of cash flows for the five years ended 31 December 2010

	Notes	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
Operating activities						
Cash generated from operations	41	1,698,851	1,940,227	1,297,537	660,488	321,419
Income tax paid		(100,096)	(105,534)	(117,317)	(77,829)	(39,351)
Net cash from operating activities		**1,598,755**	**1,834,693**	**1,180,220**	**582,659**	**282,068**
Investing activities						
Purchase of property and equipment	15	(97,467)	(91,559)	(59,017)	(47,515)	(14,690)
Purchase of intangible assets	16	(34,420)	(32,303)	(24,127)	(4,877)	(9,516)
Net (purchase)/sale of investment property	17	(279,229)	(85,565)	43,196	(42,090)	-
Sale of investment property	17	270,717	-	31,995	-	-
Net investment in government securities at fair value through profit and loss		162,200	125,352	87,000	125,144	17,693
Investment in government securities held to maturity		(587,271)	(819,082)	(427,003)	(249,137)	(78,321)
Investment in unit trusts		(1,441,964)	(1,075,136)	(679,740)	(248,557)	(71,738)
Purchase of corporate bond		(17,869)	(183,625)	(102,214)	5,292	7,700
Purchase of quoted shares at fair value through profit or loss	18 (i)	(348,712)	(274,067)	(1,030,064)	(513,634)	(510,386)
Proceeds from disposal of quoted shares- at fair value through income statement	18 (i)	405,764	62,316	50,385	45,781	123,260
Purchase of available for sale quoted shares	18(ii)	(414,372)	(31,310)	(37,487)	(25,001)	(2,930)
Proceeds from disposal of available for sale quoted shares	18(ii)	472,352	8,935	-	-	-
Purchase of unquoted shares		(50,490)	-	-	-	-
Net Mortgage loans advanced and repaid	20	83,413	34,155	52,239	(34,313)	(150,364)
Net Policy loans advanced	21	54,371	5,173	(63,614)	(43,308)	(28,186)
Dividend received		251,395	188,442	119,357	57,898	-
Rent and interest received		813,272	402,235	633,288	568,699	330,592
Investment in non-current assets held for sale		-	-	6,558	92,087	(68,087)
Repayment/ (issue) of secured loan		-	-	-	63,312	(63,312)
Net cash used in investing activities		**(758,310)**	**(1,766,039)**	**(1,383,622)**	**(284,532)**	**(518,285)**
Cash flow from financing activities						
Loan (repayment) / received	35	(94,885)	(130,211)	611,000	(62,761)	185,083
Dividends paid		(180,000)	(60,000)	(120,000)	(90,000)	-
Net cash used in financial activities		**(274,885)**	**(190,211)**	**491,000**	**(152,761)**	**185,083**
Net (decrease) / increase in cash and cash equivalents		**565,590**	**(121,557)**	**287,598**	**145,366**	**(51,134)**
Movement in cash and cash equivalents						
At start of year	40	348,528	470,085	182,487	37,121	88,255
(Decrease) / increase		565,590	(121,557)	287,598	145,366	(51,134)
At end of year	**40**	**914,118**	**348,528**	**470,085**	**182,487**	**37,121**

Notes

1. General information

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

Britak Centre

Junction of Mara and Ragati Roads

Upper Hill

Nairobi

The company acts as an investment company and a holding company for insurance and investment businesses in Kenya and Uganda.

The Group comprises four entities: British-American Investments Company (Kenya) Limited (BAICL), which is the holding company; British-American Insurance Company (Kenya) Limited, British-American Asset Managers Limited and Britam Insurance Company (Uganda) Limited. The group's insurance business includes the underwriting of all classes of life and non-life insurance risks as defined by the Insurance Act, with the exception of aviation, bond investment and industrial life assurance. It also issues investment contracts to provide its customers with asset management solutions for their savings and retirement needs. The asset management company's principal activity is the provision of investment advisory and fund management services, and is subject to the provisions of the Kenyan Capital Markets Act.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Kshs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's 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 4.

(i) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant

Amendments to IFRS 2: Group cash-settled share-based payment transactions – effective 1 January 2010. The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

IFRS 3 Business Combinations – Revised – effective 1 July 2009. The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IAS 27 Consolidated and Separate Financial Statements – Revised – effective 1 July 2009. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items – effective 1 July 2009. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners – effective 1 July 2009. IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

IFRIC 18 Transfers of assets from customers - effective for periods beginning 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation does not impact on the Group's financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IFRS 9, 'Financial instruments' – effective 1 January 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. It introduces new requirements for classifying and measuring financial assets and financial liabilities and is likely to affect the Company's accounting for its financial assets and liabilities.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 largely explains the classification and measurement rules for financial liabilities as set out in IAS 39 as currently applied by the Group. The Group is yet to assess IFRS 9's full impact as the directors are yet to make certain decisions relating to the business model to be adopted for certain financial asset portfolios.

IAS 24 (Revised) 'Related party disclosures' – effective 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the company will need to disclose any transactions between itself and associates of its parent company. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

Classification of rights issues' (amendment to IAS 32) – effective 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. This amendment is not expected to have any impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' - effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group's financial statements.

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction amendments – effective 1 January 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have a material impact on the Group's financial statements.

Annual improvements 2009 and 2010 – This is a collection of amendments to 12 standards as part of the IASB programme to annual improvements and no significant impact is expected when the Group will apply them.

(b) Consolidation

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to the consolidated financial statements incorporate the financial statements of British American Investments Company (Kenya) Limited and its wholly owned subsidiaries, British American Insurance Company (Kenya) Limited, British-American Asset Managers Limited and Britam Insurance Company (Uganda) Limited made up to 31 December 2010.

(c) Insurance contracts

i) Classification

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

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

a) Long term insurance business

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

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

b) General insurance business

Means insurance business of any class or classes not being long term insurance business. Classes of General Insurance Include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles , Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance ,Workmen's Compensation and Employer's

Liability insurance and Miscellaneous insurance (i.e. class of business not included under those listed above). Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

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

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

ii) Recognition and measurement

a) Premium income

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

b) Claims

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

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

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

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

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

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

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

d) Liability adequacy test

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

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

e) Reinsurance contracts held

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

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

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(j).

g) Salvage and subrogation reimbursements

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

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

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

d) Revenue recognition

i) Insurance premium revenue

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

ii) Commissions

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

iii) Rendering of services

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

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

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

iv) Interest income

Interest income for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognized within 'investment income' (Note6) in the profit or loss using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

v) Dividend income

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

(e) 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. See Note 2 (i) for the financial assets backing these liabilities.

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.

(f) Property and equipment

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

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

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

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

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

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

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

(g) Intangible assets

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

(h) 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.

(i) Financial assets

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

i) Financial assets at fair value through profit or loss

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

Certain equity investments of the Group, government securities and investments in unit trusts are classified in this category. The assets in this category had a total carrying value as summarised in the table below for each of the years presented.

	31 Dec 10 Kshs'000	31 Dec 09 Kshs'000	31 Dec 08 Kshs'000	31 Dec 07 Kshs'000	31 Dec 06 Kshs'000
Financial assets at fair value through profit or loss	12,213,323	7,254,406	6,547,052	5,317,649	2,826,640

ii) Loans, and receivables

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

The Group's receivables out of direct insurance and reinsurance arrangements, mortgage loans, loans to policy holders, deposits with financial institutions under the cash category, reinsurer's share of insurance liabilities, receivables from related parties and other receivables are classified in this category. The assets in this category had a total carrying value as summarised in the table below for each of the years presented.

	31 Dec 10 Kshs'000	31 Dec 09 Kshs'000	31 Dec 08 Kshs'000	31 Dec 07 Kshs'000	31 Dec 06 Kshs'000
Loans and receivables	2,778,022	2,105,461	1,770,603	1,759,163	1,618,225

iii) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Certain investments in government securities and corporate bonds are classified in this category. The assets in this category had a total carrying value as summarised in the table below for each of the years presented.

	31 Dec 10 Kshs'000	31 Dec 09 Kshs'000	31 Dec 08 Kshs'000	31 Dec 07 Kshs'000	31 Dec 06 Kshs'000
Held-to-maturity	2,414,931	1,861,391	858,684	329,469	101,795

iv) Available-for-sale

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

Certain of the Group's investment in equities are classified in this category. The Group's assets in this category had a total carrying value as summarised in the table below for each of the years presented.

	31 Dec 10 Kshs'000	31 Dec 09 Kshs'000	31 Dec 08 Kshs'000	31 Dec 07 Kshs'000	31 Dec 06 Kshs'000
Available-for-sale	5,979,688	3,282,105	3,991,729	3,377,797	971,903

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

Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

Fair values of quoted investments in active markets are based on current bid prices. Fair values for unlisted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

i) Assets carried at amortised cost

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

a) significant financial difficulty of the borrower;

b) a breach of contract, such as default or delinquency in interest or principal repayments;

c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;

d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

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

ii) Assets carried at fair value

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.For the purposes of a collective evaluation of impairment, financial assets are Grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

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

(j) 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.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, at rates ruling at the transaction dates. Monetary assets and liabilities at the financial reporting date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit or loss in the year in which they arise.

(m) Cash and cash equivalents

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

(n) Employee benefits

The Group has established a contributory final salary defined benefit plan covering substantially all its employees, including agents. The plan is funded under a Trust, and the principal asset held by the Trustees is a deposit administration policy issued by the Group.Plan liabilities and costs are established by independent actuaries using the Projected Unit Credit Method. The plan is fully valued at least every two years.

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

Effective January 1, 2006, the Group established a defined contribution section as a supplementary scheme to the existing plan. Existing members were given the irrevocable option of (a) remaining in the defined benefit section and continuing to accrue benefits, or (b) participating in the defined contribution section with effect from January 1, 2006, and relinquishing prior defined benefit entitlement in return for a "conversion value" transferred from the defined benefit section into the defined contribution section. The costs associated with the defined contribution section are separately identified and included in the staff costs. The estimated monetary liability for employees' accrued annual leave entitlement at the financial reporting date is recognised as an expense accrual.

(o) Income tax expense

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.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an

asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the financial 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 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 tax 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

(p) 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

(q) 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.

(r) 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

3. Risk management objectives and policies

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

The Group's risk management policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsures. Investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit function helps to monitor that these policies are followed

(a) Insurance risk

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

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

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

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

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

Notes (continued)

3. Risk management objectives and policies (continued)

(a) Insurance risk (continued)

Year ended 31 December 2010

Class of business			**Maximum insured loss**		
General Insurance business - Sum assured		**Kshs 0m - 15m**	**Kshs15m - 250m**	**Kshs250m - 1000m**	**Total**
		Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
	Gross	2,731,647	1,618,327	1,456,631	5,806,605
Motor	Net	2,698,616	1,165,195	1,092,473	4,956,284
Fire	Gross	7,408,673	19,514,912	41,681,896	68,605,481
	Net	7,408,673	8,895,407	1,228,386	17,532,466
Personal accident	Gross	335,387	5,867,835	3,040,000	9,243,222
	Net	298,987	2,101,041	196,000	2,596,028
Other	Gross	4,775,759	19,433,612	14,758,847	38,968,218
	Net	4,123,513	4,484,154	1,197,153	9,804,820
Long term business					
Ordinary life	Gross	20,168,725	355,000	-	20,523,725
	Net	15,079,016	13,000	-	15,092,016
Group life	Gross	130,048,366	27,394,229	-	157,442,595
	Net	91,793,277	1,762,362	-	93,555,639
Total	**Gross**	**165,468,557**	**74,183,915**	**60,937,374**	**300,589,846**
	Net	**121,402,082**	**18,421,159**	**3,714,012**	**143,537,253**
Year ended 31 December 2009			**Maximum insured loss**		
General Insurance business					
Motor	Gross	2,383,340	1,443,278	1,376,077	5,202,695
	Net	2,383,340	1,429,278	1,376,077	5,188,695
Fire	Gross	7,041,731	16,590,869	39,319,484	62,952,084
	Net	7,034,601	6,282,114	894,638	14,211,353
Personal accident	Gross	1,961,601	3,229,805	464,250	5,655,656
	Net	1,874,469	558,170	52,242	2,484,881
Other	Gross	4,953,229	7,784,121	11,007,882	23,745,232
	Net	4,318,515	1,942,768	460,642	6,721,925
Long term business					
Ordinary life	Gross	16,973,195	45,000	-	17,018,195
	Net	14,691,936	2,000	-	14,693,936
Group life	Gross	186,641,203	17,499,225	-	204,140,428
	Net	94,367,291	927,000	-	95,294,291
Other	Gross	-	-	-	-
	Net	-	-	-	-
Total	**Gross**	**219,954,299**	**46,592,298**	**52,167,693**	**318,714,290**
	Net	**124,670,152**	**11,141,330**	**2,783,599**	**138,595,081**

Year ended 31 December 2008

Class of business			**Maximum insured loss**		
General Insurance business - Sum assured		**Kshs 0m - 15m**	**Kshs15m - 250m**	**Kshs250m - 1000m**	**Total**
		Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Motor	Gross	4,391,658	7,731,718	-	12,123,376
Fire	Net	4,388,358	7,713,981	-	12,102,339
	Gross	6,631,946	23,480,190	134,994,068	165,106,204
	Net	6,573,150	5,205,000	1,020,000	12,798,150
Personal accident	Gross	700,001	4,028,058	22,738,268	27,466,327
	Net	576,201	490,000	270,000	1,336,201
Other	Gross	3,919,113	48,117,763	20,264,387	72,301,263
	Net	3,446,545	1,028,127	10,113,285	14,587,957
Long term business					
Ordinary life	Gross	13,117,513	35,000	-	13,152,513
	Net	9,981,645	2,000	-	9,983,645
Group life	Gross	93,547,602	9,674,654	-	103,222,256
	Net	60,646,845	1,103,587	-	61,750,432
Total	**Gross**	**122,307,833**	**93,067,383**	**177,996,723**	**393,371,939**
	Net	**85,612,744**	**15,542,695**	**11,403,285**	**112,558,724**
Year ended 31 December 2007					
General Insurance business					
Motor	Gross	3,513,327	6,185,375	-	9,698,702
	Net	3,510,687	6,171,185	-	9,681,872
Fire	Gross	5,305,557	18,784,152	107,995,255	132,084,964
	Net	5,258,520	4,164,000	816,000	10,238,520
Personal accident	Gross	560,001	3,222,447	18,190,615	21,973,063
	Net	460,961	392,000	216,000	1,068,961
Other	Gross	3,135,291	38,494,211	16,211,509	57,841,011
	Net	2,757,236	822,502	8,090,628	11,670,366
Long term business					
Ordinary life	Gross	11,571,880	-	-	11,571,880
	Net	11,376,781	-	-	11,376,781
Group life	Gross	54,599,530	5,638,241	-	60,237,771
	Net	24,991,399	266,659	-	25,258,058
Other	Gross				
	Net				
Total	**Gross**	**78,685,586**	**72,324,426**	**142,397,380**	**293,407,392**
	Net	**48,355,584**	**11,816,346**	**9,122,628**	**69,294,558**

Year ended 31 December 2006

Class of business			**Maximum insured loss**		
General Insurance business		**Kshs 0m - 15m**	**Kshs15m - 250m**	**Kshs250m - 1000m**	**Total**
		Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Motor	Gross	2,377,605	4,084,342	-	6,461,947
	Net	2,367,355	4,041,352	-	6,408,707
Fire	Gross	5,429,263	17,928,760	131,457,354	154,815,377
	Net	5,360,813	1,968,924	1,056,199	8,385,936
Personal accident	Gross	539,100	6,265,907	5,722,563	12,527,570
	Net	113,211	1,217,790	686,708	2,017,709
Other	Gross	2,632,551	33,204,840	23,613,543	59,450,934
	Net	2,580,881	944,494	10,449,296	13,974,671
Life assurance business					
Ordinary life	Gross	9,660,489	-	-	9,660,489
	Net	8,811,082	-	-	8,811,082
Group life	Gross	42,614,869	4,500,752	-	47,115,621
	Net	15,744,658	210,313	-	15,954,971
Other	Gross				
	Net				
Total	**Gross**	**63,253,877**	**65,984,601**	**160,793,460**	**290,031,938**
	Net	**34,978,000**	**8,382,873**	**12,192,203**	**55,553,076**

(b) Credit risk

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

- Investment activities;
- Reinsures' share of insurance liabilities;
- Amounts due from reinsures 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.

3. Risk management objectives and policies (continued)

(b) Credit risk (continued)

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

Group 1 - new customers/related parties.

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

Group 3 - existing customers/related parties with some defaults in the past. All defaults were fully recovered.

GROUP	**External credit rating/credit quality grouping**					
		2010	**2009**	**2008**	**2007**	**2006**
		Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Government securities held for trading	B+	361,360	523,561	648,913	735,912	861,056
Government securities held to maturity	B+	2,109,214	1,573,543	754,461	327,458	94,495
Corporate bond	Group 2	305,717	287,848	104,223	2,011	7,300
Unit trusts	Group 2	4,265,612	2,122,003	926,914	397,729	137,965
Mortgage loans	Group 2	576,464	659,877	713,347	766,302	731,988
Secured loans	Group 2	-	-	-	-	63,312
Loans to policy holders	Group 2	303,418	357,789	362,953	299,348	256,040
Receivable arising out of reinsurance arrangements	Group 2	10,081	54,090	48,016	3,949	1,673
Receivables out of direct insurance arrangements	Group 2	161,277	196,757	198,090	238,683	130,504
Reinsures' share of insurance contract liabilities	Group 2	463,893	275,956	203,291	213,982	227,197
Other receivables	Group 2	388,547	151,506	208,688	219,241	263,462
Receivable from related parties	Group 2	2,696	33,060	48,796	38,412	32,221
Deposits with financial institutions	Group 2	500,102	206,640	421,448	66,925	29,251
Cash balances	Group 2	415,376	193,040	109,831	148,472	100,764
		9,863,757	**6,635,670**	**4,748,970**	**3,458,424**	**2,937,228**

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

As shown above, in 28% (2009: 32%, 2008: 30%, 2007: 32% and 2006 34%) of the total maximum exposure is derived from government securities. In the opinion of the directors there is no other significant concentration of the credit risk at year end.

3. Risk management objectives and policies (continued)

(b) Credit risk (continued)

Mortgage loans of Shs 576,464,000 (2009: Shs 659,877,000, 2008: Shs 713,347,000, 2007: Shs 766,302,000, 2006: Shs 731,989,000) are secured by collateral in the form of charges over land and building and/or plant and machinery or corporate guarantees. Policy loans of Shs 303,418,000 (2009: Shs 357,789,000, 2008: Shs 362,962,000, 2007: Shs 299,348, 2006: Shs 256,040,000) are secured by the surrender value of the policies.

The fair values of collateral held for mortgages amounted to Shs 1,832,665,500 (2009: 2,147,700,000, 2008: Shs 2,188,550,000, 2007: Shs 2,082,445,000 and 2006: Shs 1,704,017,000) while the surrender values of the policies with loans amounted to Shs 1,072,655,000 (2009:1,120,475,000, 2008: Shs 1,383,451,000, 2007: Shs 1,231,131,000 and 2006: Shs 1,167,421,000)

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

- the Group exercises stringent controls over the granting of new loans
- 95% (2009: 97%, 2008: 96%, 2007: 97% and 2006: 96%) of the mortgages portfolio are neither past due nor impaired
- 100% of the mortgages portfolio are backed by collateral for each of the years presented.
- 53% (2009: 51%, 2008: 42%, 2007: 50% and 2006: 47%) of the investments in debt securities are government securities.

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

	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Receivables from direct insurance arrangements					
Counterparties without external credit rating - Group 2	161,277	196,757	198,090	238,683	130,504
	161,277	**196,757**	**198,090**	**238,683**	**130,504**
Receivables from reinsurance arrangements					
Counterparties without external credit rating - Group 2	10,081	54,090	48,016	3,949	1,673
	10,081	**54,090**	**48,016**	**3,949**	**1,673**
Financial assets that are past due or impaired					
Mortgage loans are summarised as follows:					
Neither past due nor impaired	550,058	637,019	696,051	738,159	725,360
Past due but not impaired	26,406	22,858	17,296	28,143	6,629
Impaired	25,073	25,073	5,758	5,042	5,042
Gross	**601,537**	**684,950**	**719,105**	**771,344**	**737,031**
Less: provision for impairment	(25,073)	(25,073)	(5,758)	(5,042)	(5,042)
Net	**576,464**	**659,877**	**713,347**	**766,302**	**731,989**

Movement in the provision account

	2010 Kshs' 000	2009 Kshs' 000	2008 Kshs' 000	2007 Kshs' 000	2006 Kshs' 000
At 1 January	25,073	5,758	5,042	5,042	5,042
Increase	-	19,315	716	-	-
As 31 December	**25,073**	**25,073**	**5,758**	**5,042**	**5,042**

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:

	2010 Kshs' 000	2009 Kshs' 000	2008 Kshs' 000	2007 Kshs' 000	2006 Kshs' 000
Past due up to 30 days	4,878	4,999	1,499	4,857	2,452
Past due 31 – 60 days	4,691	3,937	1,494	2,998	1,832
Past due 61 – 180 days	16,837	13,922	14,303	20,288	2,345
Total	**26,406**	**22,858**	**17,296**	**28,143**	**6,629**

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

Mortgage loans individually impaired

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

Impaired mortgage loans were secured by collateral of Shs Shs 31,500,000 (2009; Shs 31,500,000, 2008: Shs 48,200,000 2007 Shs 58,617,000 and 2006 Shs 66,800,000)

There was no repossessed collateral and no renegotiated loans.

Receivables out of direct insurance arrangements:

	2010 Kshs' 000	2009 Kshs' 000	2008 Kshs' 000	2007 Kshs' 000	2006 Kshs' 000
Past due but not impaired	161,277	196,757	198,090	238,683	130,504
Impaired	9,215	2,507	4,883	3,463	3,463
Gross	170,492	199,264	202,973	242,146	133,967
Less: allowance for impairment	-9,215	-2,507	-4,883	-3,463	-3,463
Net	**161,277**	**196,757**	**198,090**	**238,683**	**130,504**

	2010 Shs 000	2009 Shs 000	2008 Shs 000	2007 Shs 000	2006 Shs 000
At 1 January	2,507	4,883	3,463	3,463	1,946
Increase	7,046	1,623	3,806	-	1,517
Write-offs	(338)	(3,999)	(2,386)	-	-
At 31 December	**9,215**	**2,507**	**4,883**	**3,463**	**3,463**

Premium debtors that are past due but not impaired

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

	2010 Kshs' 000	2009 Kshs' 000	2008 Kshs' 000	2007 Kshs' 000	2006 Kshs' 000
Past due 1 – 60 days	91,373	92,138	124,441	128,538	46,844
Past due 61 – 90 days	17,319	23,182	15,566	24,797	18,884
Over 90 days	52,585	81,437	58,083	85,058	64,736
At 31 December	**161,277**	**196,757**	**198,090**	**238,683**	**130,504**

Premium debtors individually impaired

Premium debtors are considered impaired if they fall in arrears for more than 180 days or other information becomes available that indicates that the debt may not be collected.

The total gross amount of impaired receivables is owed by brokers.

(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.

	Due on demand or				
At 31 December 2010	**0 – 4 months**	**5-12 months**	**1-5 years**	**Over 5 years**	**Totals**
Months	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Liabilities					
Insurance contract liabilities	632,145	1,170,819	3,373,660	1,169,574	6,346,198
Amounts payable under deposit administration contracts	170,856	341,713	2,321	2,754,087	3,268,977
Liabilities under investment contracts	102,623	278,669	1,705,454	1,096,270	3,183,016
Creditors arising out of reinsurance arrangements	60,011	-	-	-	60,011
Bank loan	-	-	119,161	630,157	749,318
Other payable	194,351	103,964	120,093	-	418,408
Overdraft	1,360	-	-	-	1,360
Total financial liabilities (at contractual maturity dates other than insurance contracts liabilities which are based on expected maturity) dates)	**1,161,346**	**1,895,165**	**5,320,689**	**5,650,088**	**14,027,288**
Available for sale quoted investments	5,979,690	-	-	-	5,979,690
Investments at fair value through profit or loss and loss:					
- quoted investments	7,535,861	-	-	-	7,535,861
- unquoted investments	50,490	-	-	-	50,490
- government securities	65,227	29,485	211,331	55,317	361,360
- Unit trusts	374,009	52,843	855,343	2,983,417	4,265,612
Government securities held to maturity	-	37,093	340,668	1,731,453	2,109,214
Corporate bond	196	-	155,780	149,741	305,717
Mortgage loans	1,849	13,811	198,914	361,890	576,464
Loans to policyholders	15,465	46,680	240,801	472	303,418
Receivables arising out of reinsurance arrangements	10,081	-	-	-	10,081
Receivables arising out of direct insurance arrangements	161,277	-	-	-	161,277
Reinsurers' share of insurance liabilities	18,910	54,286	153,283	237,414	463,893
Loans and receivables from related parties	2,696	-	-	-	2,696
Other receivables	156,296	124,130	102,069	6,052	388,547
Deposits with financial institutions	500,102	-	-	-	500,102
Cash and bank balances	415,376	-	-	-	415,376
Total financial assets (expected maturity dates)	**15,287,525**	**358,328**	**2,258,189**	**5,525,756**	**23,429,798**

Notes (continued)

3. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Company	**Due on demand or**			
At 31 December 2010	**0 – 4 months**	**5-12 months**	**1-5 years**	**Totals**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Company Liabilities				
Bank loan	-	119,162	630,156	749,318
Due to related parties	-	-	751,465	751,465
Other payables	-	11,739	-	11,739
Total financial liabilities (expected maturity dates)	-	130,901	1,381,621	1,512,522

3. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

	Due on demand or				
At 31 December 2009	**0 – 4 months**	**5-12 months**	**1-5 years**	**Over 5 years**	**Totals**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Liabilities					
Insurance contract liabilities	279,784	1,163,020	1,194,611	2,313,101	4,950,516
Amounts payable under group deposit administration contracts	540,000	127,000	1,001,000	1,086,617	2,754,617
Liabilities under investment contracts	65,739	85,602	967,961	521,600	1,640,902
Creditors arising out of reinsurance					
Arrangements	17,334	-	-	-	17,334
Bank loan	-	-	747,618	-	747,618
Dividends payable	-	60,000	-	-	60,000
Other payable	109,699	66,111	107,954	-	283,764
Overdraft	50,696	456	-	-	51,152
Total financial liabilities (expected maturity dates)	**1,063,252**	**1,502,189**	**4,019,144**	**3,921,318**	**10,505,903**
Available for sale quoted shares investments	3,282,105	-	-	-	3,282,105
Investments at fair value through profit					
And loss:					
- quoted investments	4,608,842	-	-	-	4,608,842
- government securities	86,705	86,975	273,031	76,850	523,561
- Unit trusts	-	-	36,898	2,085,105	2,122,003
Government securities held to maturity	57,744	4,920	344,854	1,166,025	1,573,543
Corporate bond	62,650	-	132,429	92,769	287,848
Mortgage loans	7,413	2,865	19,803	629,796	659,877
Loans to policyholders	18,236	55,045	283,951	557	357,789
Receivables arising out of reinsurance arrangements	54,090	-	-	-	54,090
Receivables arising out of direct insurance arrangements	-	196,757	-	-	196,757
Reinsurers' share of insurance liabilities	11,249	32,293	91,184	141,231	275,956
Loans and receivables from related parties	33,060	-	-	-	33,060
Other receivables	10,106	29,430	101,789	5,140	146,465
Deposits with financial institutions	206,640	-	-	-	206,640
Cash and bank balances	193,040	-	-	-	193,040
Total financial assets (expected maturity dates)	**8,631,880**	**408,285**	**1,283,939**	**4,197,473**	**14,521,577**

3. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Company				
At 31 December 2009	**0 – 4 months**	**5-12 months**	**1-5 years**	**Totals**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Company liabilities				
Bank loan	-	119,162	628,456	747,618
Due to related parties	-	-	640,505	640,505
Dividend payable	-	60,000	-	60,000
Other payables	-	6,131	-	6,131
Total financial liabilities (expected maturity dates)	-	**185,293**	**1,268,961**	**1,454,254**

3. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

	Due on demand or				
At 31 December 2008	**0 - 4 months**	**5-12 months**	**1-5 years**	**Over 5 years**	**Totals**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Liabilities					
Insurance contract liabilities	324,662	932,028	2,631,608	605,317	4,493,615
Amounts payable under deposit administration contracts	109,147	200,831	886,277	644,586	1,840,841
Liabilities under investment contracts	41,208	56,438	649,936	-	747,582
Creditors arising out of reinsurance arrangements	2,438	-	-	-	2,438
Bank loan	35,775	-	741,641	-	777,416
Other payables	213,905	50,456	25,426	-	289,787
Overdraft	-	61,334	-	-	61,334
Total financial liabilities (expected Maturity dates)	**727,135**	**1,301,087**	**4,934,888**	**1,249,903**	**8,213,013**
Available for sale quoted investments	3,991,729	-	-	-	3,991,729
Investments at fair value through profit					
And loss:					
- quoted investments	1,753,257	-	-	3,217,968	4,971,225
- government securities		95,635	144,963	408,314	648,912
- Unit trusts		-	34,103	892,811	926,914
Government securities held to maturity	-	-	265,227	489,234	754,461
Corporate bond	-	-	586	103,637	104,223
Mortgage loans	-	12,863	91,480	609,004	713,347
Loans to policyholders	18,500	55,841	288,056	565	362,962
Receivables arising out of reinsurance arrangements	48,016	-	-		48,016
Receivables arising out of direct insurance arrangements	-	198,090	-	-	198,090
Reinsurers' share of insurance					
Liabilities	8,318	23,879	67,425	103,669	203,291
Loans and receivables from related parties	48,796	-	-	-	48,796
Other receivables	95,142	29,565	56,674	14,720	196,101
Deposits with financial institutions	421,448	-	-	-	421,448
Cash and Bank balances	109,971	-	-	-	109,971
Total financial assets (expected maturity dates)	**750,145**	**415,873**	**6,734,406**	**5,839,925**	**13,699,486**

Company				
At 31 December 2008	**0 - 4 months**	**5-12 months**	**1-5 years**	**Totals**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Company Liabilities				
Bank loan	35,775	-	738,866	774,641
Due to related parties	-	-	744,794	744,794
Other payables	-	14,448	-	14,448
Total financial liabilities (expected maturity dates)	**35,775**	**14,448**	**1,483,660**	**1,533,883**

3. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Group	**Due on demand or**				
At 31 December 2007	**0 - 4 months**	**5-12 months**	**1-5 years**	**Over 5 years**	**Totals**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Liabilities					
Insurance contract liabilities	296,089	850,000	2,400,000	605,778	4,151,867
Payable under deposit administration contracts	75,000	138,000	609,000	442,923	1,264,923
Liabilities under investment contracts	15,000	20,544	231,691	-	267,235
Creditors arising out of reinsurance arrangements	62,019	-	-	-	62,019
Bank loan	-	-	122,322	-	122,322
Other payables	154,461	195,395	-	-	349,856
Overdraft	-	32,910	-	-	32,910
Total financial liabilities (expected maturity dates)	**602,569**	**1,236,849**	**3,363,013**	**1,048,701**	**6,251,132**
Available for sale quoted investments	-	-	3,377,797	-	3,377,797
Investments at fair value through profit and loss:					
- quoted investments	1,253,831	2,930,177	-	-	4,184,008
- government securities	56,366	21,921	549,866	107,759	735,912
- Unit trusts	397,729	-	-	-	397,729
Government securities held to maturity	-	-	133,884	193,574	327,458
Corporate bond	-	-	2,011	-	2,011
Mortgage loans	2,900	8,344	134,096	620,962	766,302
Loans to policyholders	18,500	42,813	237,570	465	299,348
Receivables arising out of reinsurance arrangements	3,949	-	-	-	3,949
Receivables arising out of direct insurance arrangements	-	238,683	-	-	238,683
Reinsurers' share of insurance Liabilities	8,756	25,135	70,970	109,121	213,982
Loan and receivables from related parties	-	38,412	-	-	38,412
Other receivables	83,632	90,818	24,037	-	198,487
Deposits with financial institutions	-	66,925	-	-	66,925
Cash and Bank balances	148,472	-	-	-	148,472
Total financial assets (expected maturity dates)	**1,974,135**	**3,463,228**	**4,530,231**	**1,031,881**	**10,999,475**

3. Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Company				
At 31 December 2007	**0 - 4 months**	**5-12 months**	**1-5 years**	**Totals**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Company Liabilities				
Bank loan	-	-	122,322	122,322
Due to related parties	-	-	552,831	552,831
Other payables	-	10,608	-	10,608
Total financial liabilities (expected maturity dates)	-	**10,608**	**675,153**	**685,761**

Group					
At 31 December 2006	**0 - 4 months**	**5-12 months**	**1-5 years**	**Over 5 years**	**TOTALS**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Liabilities					
Insurance contract liabilities	224,000	820,132	1,700,000	735,881	3,480,013
Payable under deposit administration contract	22,000	125,000	548,000	247,347	942,347
Liabilities under investment contracts	10,000	20,544	10,544	52,604	93,692
Creditors arising out of reinsurance arrangements arrangements	74,143	-	-	-	74,143
Bank Loan	12,000	36,000	137,083	-	185,083
Other payables	309,230	-	-	-	309,230
Dividend payable	30,000	-	-	-	30,000
Overdraft	-	92,894	-	-	92,894
Total financial liabilities (expected maturity dates)	**681,373**	**1,094,570**	**2,395,627**	**1,035,832**	**5,207,402**

At 31 December 2006	0 - 4 months	5-12 months	1-5 years	Over 5 years	TOTALS
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Company liabilities					
Bank loan	-	-	-	-	-
Due to related parties	-	-	468,540	-	468,540
Other payables	-	449	-	-	449
Total financial liabilities (expected maturity dates)	-	**449**	**468,540**	**-**	**468,989**

(d) Market risk

(a) Price risk

The Company is exposed to equity securities price risk because of investments in quoted and unquoted shares classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

If the NSE Index had increased/decreased by 15% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, post tax profit for the year would have been higher/lower as shown in the table below

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Impact on group's post tax profit	1,130,378	691,320	567,678	612,211	274,388

Similarly, a 15% change in the price of Equity Bank shares would affect the shareholders equity as shown in the table below

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Impact on group's shareholders equity	896,953	492,316	595,315	522,060	145,785

The concentration on equities in general and on specific counters is closely monitored. The investment in Equity Bank as a percentage of total assets is as shown in the table below

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Percentage of Investment in Equity Bank to total assets	43%	37%	49%	49%	27%

(b) Cash flow and fair value interest rate risk

The Company's interest bearing assets are quoted corporate bonds, mortgages, staff loans, intercompany loans and policy loans all of which are at fixed rate. The Company also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing.

If interest rates on government securities classified as financial assets at fair value through profit and loss had been 1% higher/lower with all other variables held constant, post tax profit for each of the years presented would change as shown below.

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Impact on group's post tax profit	621	1,407	1,673	968	1,102

(c) Foreign exchange risk

The company has no material exposure to foreign exchange risk.

Capital management

The Group's objectives when managing capital, which is a broader concept than the '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 businesses.
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.
- To have sufficient capital to enable the Group's subsidiaries comply with the capital requirements set by the Insurance Act and the Capital Markets Act.

(i) **Insurance business**

Capital adequacy and use of regulatory capital are monitored regularly by management. The capital requirement for insurance companies in Kenya was revised in 2008. Existing composite insurance companies were required to increase their capital to Shs 450 million by 2010. The company has already attained the new capital requirements.

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 met the required technical solvency margin.

The table below summarises the regulatory capital requirements and the capital maintained by the company

	Capital		Solvency	
Capital management	**2010**	**2009**	**2010**	**2009**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Long-term				
Regulatory requirement	150,000	100,000	619,708	457,337
Maintained by the Company	180,000	180,000	954,253	572,439
Short-term				
Regulatory requirement	300,000	200,000	173,321	117,981
Maintained by the Company	300,000	300,000	802,847	548,465
Total				
Regulatory requirement	450,000	450,000	793,029	575,318
Maintained by the Company	480,000	480,000	1,757,761	1,120,904

	Capital		Solvency	
Capital management	**2008**	**2007**	**2008**	**2007**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Long-term				
Regulatory requirement	100,000	100,000	356,341	271,740
Maintained by the Company	180,000	180,000	229,620	(338,222)
Short-term				
Regulatory requirement	200,000	200,000	54,191	40,059
Maintained by the Company	300,000	300,000	99,833	236,485
Total				
Regulatory requirement	300,000	300,000	410,532	311,799
Maintained by the Company	450,000	480,000	329,453	(101,737)

	Capital	Solvency
Capital management	**2006**	**2006**
	Kshs' 000	**Kshs' 000**
Long-term		
Regulatory requirement	50,000	210,750
Maintained by the Company	50,000	(598,998)
Short-term		
Regulatory requirement	100,000	35,087
Maintained by the Company	100,000	206,063
Total		
Regulatory requirement	**150,000**	**245,837**
Maintained by the Company	**180,000**	**(392,935)**

(ii) Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at each balance sheet date.

As at 31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total balance**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Assets				
Financial assets at fair value through profit or loss				
- Equity securities	7,535,861	-	50,490	7,586,351
- Government securities	-	361,360		361,360
- Unit trusts	-	4,265,612		4,265,612
Available-for-sale financial assets				
- Equity securities	5,979,690	-	-	5,979,690
Total assets	**13,515,551**	**4,626,972**	**50,490**	**18,193,013**

Group 2009	**Level 1**	**Level 2**	**Total Balance**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**
Assets			
Financial assets at fair value through profit or loss			
- Equity securities	4,608,842	-	4,608,842
- Government securities	-	523,561	523,561
- Unit trust	-	2,122,003	2,122,003
Available-for-sale equity investments	3,282,105	-	3,282,105
Total assets	**7,890,947**	**2,645,564**	**10,536,511**

Capital management (continued)

(ii) Fair value estimation (continued)

GROUP 2008	Level 1	Level 2	Total balance
	Kshs' 000	Kshs' 000	Kshs' 000
Assets			
Financial assets at fair value through profit or loss			
- Equity securities	4,971,225	-	4,971,225
- Government securities	-	648,913	648,913
- Unit trust	-	926,914	926,914
Available-for-sale equity investments	3,991,729	-	3,991,729
Total assets	**8,962,954**	**1,575,827**	**10,538,781**

GROUP 2007	Level 1	Level 2	Total balance
	Kshs' 000	Kshs' 000	Kshs' 000
Assets			
Financial assets at fair value through profit or loss			
- Equity securities	4,184,008		4,184,008
- Government securities	-	735,912	735,912
- Unit trust	-	397,729	397,729
Available-for-sale equity investments	3,377,797		3,377,797
Total assets	**7,561,805**	**1,133,641**	**8,695,446**

GROUP 2006	Level 1	Level 2	Total balance
	Kshs' 000	Kshs' 000	Kshs' 000
Assets			
Financial assets at fair value through profit or loss			
- Equity securities	1,827,619	-	1,827,619
- Government securities	-	861,056	861,056
- Unit trust	-	137,965	137,965
Available-for-sale equity investments	971,903	-	971,903
Total assets	**2,799,522**	**999,021**	**3,798,543**

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or available-for-sale. The fair value of financial instruments that are not traded in an active market (for example, government bonds and 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 interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. Note that all of the resulting fair value estimates are included in level 2. There were no transfers into or our of level 3 during the period. The Group had level 3 financial instruments (unquoted stock) as at 31 December 2010 (2009 and prior years: Nil).

Fair values of financial assets and liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the financial reporting date. The fair value of government securities held-to-maturity compared to their carrying value is as summarised in the table below;

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Fair value of government securities held-to-maturity	2,244,003	1,613,858	733,270	338,084	91,405
Carrying value of government securities held-to-maturity	2,109,214	1,573,543	754,461	327,458	94,495

The fair value of mortgage loans and policy loans are as summarised in the table below;

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Fair value of mortgage loans	576,464	659,877	713,347	766,302	731,989
Fair value of policy loans	303,418	357,789	362,962	299,348	256,040

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

4 Critical judgments in applying the entity's accounting policies

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

- actuarial liabilities (see Note 32 for the carrying amounts of these liabilities and assumptions respectively)
- classification of financial assets. As disclosed in note (2(i))
- whether land and building meet criteria to be classified as investment property as disclosed in note (2(h))

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.

Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The key source of estimation uncertainty is the mortality rates, future interest rates, future expenses, tax and inflation.

5 Gross earned premium

	2010	2009	2008	2007	2006
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Life assurance business					
- Ordinary life	2,065,695	1,912,873	1,872,727	1,601,385	1,361,343
- Group life	608,665	588,977	475,247	260,334	176,203
	2,674,360	2,501,850	2,347,974	1,861,719	1,537,546
Short term insurance business:					
- Motor	603,100	433,735	189,993	103,213	58,066
- Fire	120,034	110,203	88,776	75,410	68,210
- Marine	110,097	81,409	67,154	71,500	33,773
- Personal accident and medical	622,748	521,800	392,599	339,933	260,093
- Other	203,089	133,609	80,793	58,000	60,525
	1,659,068	1,280,756	819,315	648,056	480,667
	4,333,428	3,782,606	3,167,289	2,509,775	2,018,213

6 Investment income

	2010	2009	2008	2007	2006
	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000	Kshs' 000
Interest from government securities	252,143	184,890	115,023	99,793	94,031
Interest on bank deposits	26,414	30,235	25,781	6,510	6,993
Other interest receivable	129,236	150,718	156,070	138,874	106,563
Rental income from investment properties	54,876	55,326	46,582	46,200	45,634
Fair value gain on investment property (Note 17)	72,274	163,105	175,326	83,397	25,914
Dividends receivable from equity investments	254,684	188,442	119,357	57,878	41,830
Realised gain on government securities at fair value	(495)	1,208	15,606	-	-
Realised losses on sale of available for sale financial assets	247,778	(4,507)	-	(1,416)	43,545
Realised gains on sale of non-current assets	86,040	1,350	6,558	31,490	-
Fair value gains/losses on financial assets at fair value through profit or loss	3,561,685	(574,598)	(151,166)	2,029,842	744,839
	4,684,634	**196,169**	**509,137**	**2,492,568**	**1,109,349**

7 Other income

	2010	2009	2008	2007	2006
Fee income	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
- arising on long term insurance contracts	178,143	948	3,939	10,900	8,406
- arising on short term insurance contract	8,679	264	8,585	2,223	1,850
- arising on deposit administration	8,429	10,066	13,780	5,258	3,850
- Other miscellaneous	25,188	20,857	8,801	18,936	4,378
	220,439	**32,135**	**35,105**	**37,317**	**18,454**

8 Net claims and policyholder benefits payable

Long term business	**2010**	**2009**	**2008**	**2007**	**2006**
	Kshs' 000	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**	**Kshs' 000**
Insurance contracts with fixed and guaranteed terms					
- death, maturity and surrender benefits	1,344,732	590,766	539,214	395,491	413,139
- Bonuses and interest on DA and other contracts	874,704	618,855	506,803	322,651	352,548
- Increase in policy holder benefits	897,937	199,745	250,419	564,534	635,978
Less: Reinsurers' share	(99,590)	(65,057)	(51,535)	(34,519)	(61,714)
	3,017,783	**1,344,309**	**1,244,901**	**1,248,157**	**1,339,951**
Short term business					
Claims payable by principal class of business					
- Motor	483,865	360,022	133,748	67,885	41,734
- Fire	72,265	31,535	17, 575	4,634	1,985
- Personal accident and medical	331,202	201,174	218,057	160,617	110,431
- Marine	19,929	38,945	17,749	28,690	12,687
- Other	60,035	93,130	34,757	27,062	22,047
Less: Reinsurers' share	(166,972)	(95,620)	(104,733)	(119,983)	(92,262)
	800,325	629,186	317,153	168,905	96,622
Total Long term and Short term	**3,818,108**	**1,973,495**	**1,562,054**	**1,417,062**	**1,436,573**

9 Operating and other expenses

The following items are included within operating and other expenses:

	2010	2009	2008	2007	2006
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Staff costs (Note 10)	533,036	472,441	403,811	287,366	244,453
Auditor's remuneration	5,547	5,295	5,084	4,814	4,502
Depreciation on leasehold improvements and equipment (Note 15)	48,784	30,585	31,278	25,767	30,623
Amortisation of intangible assets (Note 16)	20,640	18,930	15,127	14,925	13,505
Provision for impairments on receivables	7,046	922	5,195	-	-
Repairs and maintenance expenditure	19,910	42,108	34,315	29,813	17,287
	634,963	**570,281**	**494,810**	**362,685**	**310,370**

10 Staff costs

	2010	2009	2008	2007	2006
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Staff costs include the following:					
Salaries and Wages	447,611	400,798	332,508	262,783	202,396
Retirement benefit costs					
- Defined contribution scheme	66,356	59,287	34,111	25,238	16,392
- Defined benefit scheme (Note 44)	18,393	11,726	36,646	(1,074)	25,284
- Social security benefits costs	676	630	546	419	381
	533,036	**472,441**	**403,811**	**287,366**	**244,453**

The number of persons employed by the Group was 270 (2009: 254, 2008: 230, 2007: 197, 2006: 152).

11 Income tax expense

	2010	2009	2008	2007	2006
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Income tax expense	159,805	86,789	97,500	83,946	42,066

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

11. Income tax expense (continued)

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
(Loss)/profit before income tax	2,873,589	(334,334)	340,067	2,112,179	251,876
Tax calculated at the statutory income tax rate of 30%	862,077	(100,300)	102,020	633,654	75,563
Tax effect of (loss)/income not subject to tax	(726,428)	117,490	(33,342)	(554,253)	36,630)
Overprovision of deferred tax for prior year	(3,928)	(4,204)	-	-	-
Tax effect of expenses not deductible for tax purpose	28,084	73,803	28,822	4,545	3,133
Tax Charge	**159,805**	**86,789**	**97,500**	**83,946**	**42,066**

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

	Before tax	2010 Tax (charge) credit	After tax	Before tax	2009 Tax (charge) credit	After tax
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Fair value gains/(losses):						
- Building	13,533	-	13,533	32,755	-	32,755
- Available-for-sale financial assets	2,755,565	-	2,755,565	(731,999)	-	(731,999)
Other comprehensive income	2,769,098	-	2,769,098	(699,244)	-	(699,244)
Current tax	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-

	Before tax	2008 Tax (charge) credit	After tax	Before tax	2007 Tax (charge) credit	After tax
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Fair value gains/(losses):						
- Building	9,598	-	9,598	14,544	-	14,544
- Available-for-sale financial assets	576,445	-	576,445	2,380,893	-	2,380,893
Other comprehensive income	586,043	-	586,043	2,395,437	-	2,395,437
Current tax	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
		-	-	-	-	-

11. Income tax expense (continued)

	Before tax	2006 Tax (charge) credit	After tax
	Kshs'000	Kshs'000	Kshs'000
Fair value gains/(losses):			
- Building	4,916	-	4,916
- Available-for-sale financial assets	495,525	-	495,525
Other comprehensive income	500,441	-	500,441
Current tax	-	-	-
Deferred tax	-	-	-
	-	-	-

12 Other reserves

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

	Fair value reserve	Revaluation reserve	General reserves	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Balance at 1 January 2006	209,000	2,086	-	211,086
Revaluation gain on building		4,916	-	4,916
Revaluation gain on available for sale quoted investments	495,525	-	-	495,525
Balance at 31 December 2006	704,525	7,002	-	711,527
Balance at 1 January 2007	704,525	7,002	-	711,527
Revaluation gain on building	-	14,544	-	14,544
Revaluation gain on available for sale quoted investments	2,380,893	-	-	2,380,893
Balance at 31 December 2007	3,085,418	21,546	-	3,106,964

12. Other reserves(continued)

	Fair value reserve	Revaluation reserve	General reserves	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Balance at 1 January 2008	3,085,418	21,546	-	3,106,964
Revaluation gain on building	-	9,598	-	9,598
Revaluation gain on available for sale quoted investments	576,445	-	-	576,445
Transfer from retained earnings	-	-	35,517	35,517
Balance at 31 December 2008	**3,661,863**	**31,144**	**35,517**	**3,728,524**
Balance at 1 January 2009	3,661,863	31,144	35,517	3,728,524
Revaluation gain on building	-	32,755	-	32,755
Revaluation loss on available for sale quoted investments (Note 18(ii))	(731,999)	-	-	(731,999)
Transfer from retained earnings	-	-	177,926	177,926
Balance at 31 December 2009	**2,929,864**	**63,899**	**213,443**	**3,207,206**
Balance at 1 January 2010	2,929,864	63,899	213,443	3,207,206
Revaluation gain on building	-	13,533	-	13,533
Revaluation gain on available for sale quoted investments(Note 18(ii))	2,755,565	-	-	2,755,565
Transfer from retained earnings	-	-	151,632	151,632
Balance at 31 December 2010	**5,685,429**	**77,432**	**365,075**	**6,127,936**

13 Dividends

(i) Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. Proposed dividends for each of the past five years are as summarised in the table below.

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Dividend amount per share	6.67	4	4	4	2
Total proposed dividend	200,000,000	120,000,000	120,000,000	120,000,000	60,000,000
Dividend cover	13.57	(3.51)	2.02	16.90	7.40

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

(ii) Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the number of ordinary shares.

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
(Loss)/profit attributed to equity holders (Shs thousands)	2,713,784	(421,123)	242,567	2,028,232	444,299
Weighted number of ordinary shares in issue (Thousands)	30,000	30,000	30,000	30,000	30,000
Basic and diluted earnings per share (Shs)	**90.46**	**(14.04)**	**8.09**	**67.61**	**14.81**

There were no potentially dilutive shares during the five year period.

14 Share Capital

	Number of shares	Ordinary shares
	Kshs'000	Kshs'000
Authorised, issued and fully paid:		
Balance at 31 December 2006, 2007, 2008, 2009 and 2010 (Shs 5 per share)	30,000	150,000

15 Property plant and equipment

Group	Lands & Buildings	Leasehold Improve-ments	Motor vehicles	Furniture, fixtures and fittings	Computer Equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2010						
Cost or valuation						
At start of year	360,300	158,274	16,856	151,625	84,724	771,779
Additions	-	15,570	-	59,221	22,676	97,467
Disposals	-	-	-	(324)	(1,512)	(1,836)
Valuation	13,533	-	-	-	-	13,533
At end of year	**373,833**	**173,844**	**16,856**	**210,521**	**105,888**	**880,944**
Depreciation						
At start of year	-	117,639	7,913	79,305	45,989	250,846
Charge for the year	-	9,923	3,213	22,779	12,869	48,784
Additions	-	-	-	-	296	296
Disposal	-	-	-	(26)	(377)	(404)
At end of year	-	**127,564**	**11,127**	**102,058**	**58,775**	**299,524**
Net book amount						
At 1 January 2010	**360,300**	**40,635**	**8,943**	**72,320**	**38,735**	**520,933**
At 31 December 2010	**373,833**	**46,281**	**5,728**	**108,463**	**47,114**	**581,420**

15. Property plant and equipment (continued)

Group	Lands & Buildings	Leasehold Improve-ments	Motor vehicles	Furniture, fixtures and fittings	Computer Equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2009						
Cost or valuation						
At start of year	327,545	154,592	22,488	95,839	52,754	653,218
Reclassification	-	(121)	-	-	-	(121)
Additions	-	3,803	-	55,786	31,970	91,559
Disposals	-	-	(5,632)	-	-	(5,632)
Valuation	32,755	-	-	-	-	32,755
At end of year	**360,300**	**158,274**	**16,856**	**151,625**	**84,724**	**771,779**
Depreciation						
At start of year	4,799	107,785	10,268	66,086	35,857	224,795
Charge for the year	(4,799)	9,854	3,277	13,219	10,132	31,683
Disposals			(5,632)			
At end of year	-	117,639	7,913	79,305	45,989	250,846
At 1 January 2009	**322,746**	**46,807**	**12,220**	**29,753**	**16,897**	**428,423**
At 31 December 2009	**360,300**	**40,635**	**8,943**	**72,320**	**38,735**	**520,933**

Group	Lands & Buildings	Leasehold Improve-ments	Motor vehicles	Furniture, fixtures and fittings	Computer equipment	Total
Shs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Year ended 31 December 2008						
Cost or valuation						
At start of year	159,973	113,453	17,309	137,241	103,282	531,258
Reclassification from investment property(Note 17)	157,974	-	-	-	-	157,974
Reclassification	-	16,663		(16,663)	-	-
Additions	-	2,873	5,179	11,975	6,995	27,022
Disposals	-	21,603	-	(36,714)	(57,523)	(72,634)
Valuation	9,598	-	-	-	-	9,598
At end of year	**327,545**	**154,592**	**22,488**	**95,839**	**52,754**	**653,218**
Depreciation						
At start of year	-	76,069	7,760	94,647	89,335	267,812
Charge for the year	4,799	9,673	2,508	9,701	4,596	31,277
Reclassification from other fixed assets	-	22,043	-	(38,262)	(58,074)	(74,293)
At end of year	4,799	107,785	10,268	66,086	35,857	224,795
Net book amount						
At 1 January 2008	**159,973**	**37,383**	**9,548**	**42,594**	**13,948**	**263,447**
At 31 December 2008	**322,746**	**46,807**	**12,220**	**29,753**	**16,897**	**428,423**

15. Property plant and equipment (continued)

	Lands & Buildings	Leasehold Improve-ments	Motor vehicles	Furniture, fixtures and fittings	Computer equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2007						
Cost or valuation						
At start of year	145,429	113,453	6,392	108,252	96,794	470,320
additions		-	10,917	30,110	6,488	47,515
Disposal	-	-	-	(1,121)	-	(1,121)
Valuation	14,544	-	-	-	-	14,544
At end of year	**159,973**	**113,453**	**17,309**	**137,241**	**103,282**	**531,258**
Depreciation						
At start of year	-	67,790	6,025	87,055	82,128	242,998
Disposals	-	-	-	(953)	-	(953)
Charge for the year	-	8,279	1,736	8,545	7,207	25,767
At end of year	-	**76,069**	**7,761**	**94,647**	**89,335**	**267,812**
Net Book Amount						
At 31 December 2007	**159,973**	**37,384**	**9,548**	**42,594**	**13,947**	**263,446**

Group	Lands & Buildings	Leasehold Improve-ments	Motor vehicles	Furniture, fixtures and fittings	Computer equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2006						
Cost or valuation						
At start of year	140,513	111,750	6,392	99,807	108,079	466,541
Additions	-	1,703		8,445	4,542	14,690
Disposals	-	-	-	-	(15,827)	(15,827)
Valuation gain	4,916	-	-	-		4,916
At end of year	**145,429**	**113,453**	**6,392**	**108,252**	**96,794**	**470,320**
Depreciation						
At start of year	-	59,735	5,122	75,515	87,830	228,202
Disposals					(15,827)	(15,827)
Charge for the year	-	8,055	903	11,540	10,125	30,623
At end of year	-	**67,790**	**6,025**	**87,055**	**82,128**	**242,998**
Net book amount						
At 31 December 2006	**145,429**	**45,663**	**367**	**21,197**	**14,666**	**227,322**

15. Property plant and equipment (continued)

Company	Motor vehicles	Furniture, fixtures and fittings	Computer Equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2010				
Cost or valuation				
At start of year	5,179	607	269	6,055
Additions	-	113	348	461
At end of year	**5,179**	**720**	**617**	**6,516**
Depreciation				
At start of year	1,208	26	37	1,271
Charge for the year	1,036	134	86	1,256
At end of year	**2,224**	**160**	**123**	**2,528**
Net book amount				
At 31 December 2010	**2,935**	**560**	**494**	**3,989**

Company	Motor vehicles	Furniture, fixtures and fittings	Computer Equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2009				
Cost or valuation				
At start of year	5,179	-	-	5,179
Additions	-	607	269	876
At end of year	**5,179**	**607**	**269**	**6,055**
Depreciation				
At start of year	172	-	-	172
Charge for the year	1,036	26	37	1,099
At end of year	**1,208**	**26**	**37**	**1,271**
Net book amount				
At 1 January 2009	**5,007**	**-**	**-**	**5,007**
At 31 December 2009	**3,971**	**581**	**232**	**4,784**

Company	Motor vehicles	Furniture, fixtures and fittings	Computer Equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2008				
Cost or valuation				
At start of year	-	-	-	-
Additions	5,179	-	-	5,179
At end of year	**5,179**	**-**	**-**	**5,179**
Depreciation				
At start of year	-	-	-	-
Charge for the year	172	-	-	172
At end of year	**172**	**-**	**-**	**172**
Net book amount				
At 1 January 2008	**-**	**-**	**-**	**-**
At 31 December 2008	**5,007**	**-**	**-**	**5,007**

In the opinion of the directors, there is no impairment of leasehold improvements and equipment. The valuation of buildings was carried out by independent, registered professional valuers, GIMCO Limited in an open market basis

16 Intangible assets (Group)

	2010	2009	2008	2007	2006
Computer and software costs	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At the start of year	78,098	64,725	55,725	65,773	69,762
Additions	34,420	32,303	24,127	4,877	9,516
Amortisation	(20,640)	(18,930)	(15,127)	(14,925)	(13,505)
At end of year	**91,878**	**78,098**	**64,725**	**55,725**	**65,773**
Cost	224,534	190,115	155,694	131,567	126,690
Accumulated amortisation	(132,656)	(112,017)	(90,969)	(75,842)	(60,917)
Net book amount	**91,878**	**78,098**	**64,725**	**55,725**	**65,773**

16 Intangible assets (Company)

	2010	2009	2008	2007	2006
Computer and software costs	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At the start of year	197	-	-	-	-
Additions	-	197	-	-	-
Amortisation	-	-	-	-	-
At end of year	**197**	**197**	-	-	-
Cost	197	197	-	-	-
Charge for the year	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-
Net book amount	**197**	**197**	-	-	-

17 Investment property

	2010	2009	2008	2007	2006
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year	1,092,785	844,115	869,958	744,471	742,557
Additions	279,229	85,565	8,804	42,090	-
Transfer to property and equipment (Note 15)	(270,717)	-	(157,974)	-	-
Reclassification to non-current assets held for sale	-	-	-	-	(24,000)
Disposal	-	-	(52,000)	-	-
Fair value gains	72,274	163,105	175,327	83,397	25,914
At end of year	**1,173,571**	**1,092,785**	**844,115**	**869,958**	**744,471**

18 Quoted investments

(i) At fair value through profit and loss

	GROUP				
	2010	2009	2008	2007	2006
	Kshs'000	Shs '000	Shs '000	Shs '000	Shs '000
At start of year	4,608,842	4,971,225	4,184,008	1,827,619	517,455
Additions	348,712	274,067	1,030,064	513,634	510,386
Transfer from unquoted shares	-	-	-	-	625,853
Disposals	(405,764)	(62,316)	(50,385)	(45,781)	(76,785)
Fair value (losses)/gains	2,984,071	(574,134)	(192,462)	1,888,536	250,710
At end of year	**7,535,861**	**4,608,842**	**4,971,225**	**4,184,008**	**1,827,619**

	COMPANY				
	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	2,354,048	3,217,968	2,483,356	685,318	-
Additions	-	-	649,579	257,801	290,248
Transfer from unquoted shares	-	-	-	-	103,179
Disposals	-	(334,982)	-	-	-
Fair value (losses)/gains	2,026,123	(528,938)	85,033	1,540,237	291,891
At end of year	**4,380,171**	**2,354,048**	**3,217,968**	**2,483,356**	**685,318**

(ii) Available for sale

	GROUP				
	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	3,282,105	3,991,729	3,377,797	971,903	-
Additions	414,372	31,310	37,487	25,001	-
Transfer from unquoted shares	-	-	-	-	476,378
Disposals	(472,352)	(8,935)	-	-	-
Fair value (losses) /gains	2,755,565	(731,999)	576,445	2,380,893	495,525
At end of year	**5,979,690**	**3,282,105**	**3,991,729**	**3,377,797**	**971,903**

19 Unquoted Investments

	GROUP				
	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	-	-	-	-	625,853
Additions	50,490	-	-	-	-
Transfer to quoted shares	-	-	-	-	(625,853)
Disposals	-	-	-	-	-
At end of year	**50,490**	**-**	**-**	**-**	**-**

20 Mortgage loans

	GROUP				
	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year	684,950	719,105	771,344	737,031	586,667
Loans advanced	29,784	71,097	95,023	119,695	196,203
Loan repayment	(113,197)	(105,252)	(147,262)	(85,382)	(45,839)
	601,537	**684,950**	**719,105**	**771,344**	**737,031**
Less: Provision for impairment losses	(25,073)	(25,073)	(5,758)	(5,042)	(5,042)
At end of year	**576,464**	**659,877**	**713,347**	**766,302**	**731,989**

21 Loans to policyholders

	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year	357,789	362,962	299,348	256,040	227,854
Loans advanced	164,909	238,422	142,682	199,480	202,672
Surrenders	(29,810)	(124,981)	-	(156,172)	(174,486)
Loan repayments	(189,470)	(118,614)	(79,068)	-	-
At end of year	**303,418**	**357,789**	**362,962**	**299,348**	**256,040**

22 Reinsurers' share of insurance liabilities

	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Reinsurers' share of:					
- notified claims outstanding – long term	56,817	26,512	29,949	49,388	26,782
- notified claims outstanding – short term (Note 31)	259,573	151,816	89,403	69,869	86,660
- unearned premium (Note 36)	105,054	82,703	77,148	69,777	88,175
- claims incurred but not reported (Note 31)	42,449	14,925	6,791	24,948	25,580
	463,893	**275,956**	**203,291**	**213,982**	**227,197**

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

23 Deferred acquisition costs

	GROUP				
	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year	52,941	34,660	19,182	15,961	10,836
Net increase	20,520	18,281	15,478	3,221	5,125
At end of year	**73,461**	**52,941**	**34,660**	**19,182**	**15,961**

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(c).

24 Other receivables

	GROUP				
	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Staff and agents loans	103,877	107,062	117,293	103,757	78,018
Retirement benefits assets (note 44)	-	-	-	12,939	11,865
Dues from managed funds	2,539	8,988	10,922	6,142	15,152
Prepayments	23,879	13,027	28,319	4,749	8,010
Other receivables	258,252	30,415	39,567	83,838	62,244
	388,547	**159,492**	**196,101**	**211,425**	**175,289**

All prepayments are classified as current. The ageing analysis of other receivables is presented in note 3(c).

	COMPANY				
	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Other receivables	4,500	-	830	591	363
	4,500	**-**	**830**	**591**	**363**

25 Government securities

(i) At fair value through profit and loss

	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Treasury bills and bonds maturing					
- Within 1 year	94,712	173,680	34,184	9,928	4,860
- In 1 – 5 years	211,331	273,031	52,940	128,114	328,319
- After 5 years	55,317	76,850	561,789	597,870	527,877
	361,360	**523,561**	**648,913**	**735,912**	**861,056**
Treasury bills and bonds movement					
- At start	523,561	648,912	735,912	861,056	911,749
- Additions	29,748	69,500	50,328	76,204	118,070
- Fair value gains /(losses)	21,852	13,502	(6,584)	570	4,392
- Disposals and maturities	(213,801)	(208,353)	(130,743)	(201,918)	(173,155)
	361,360	**523,561**	**648,913**	**735,912**	**861,056**

(ii) Investment held to maturity

	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year	1,573,543	754,461	327,458	94,495	16,174
Additions	756,045	829,082	428,767	249,137	78,321
Maturities	(220,374)	(10,000)	(1,764)	(16,174)	-
	2,109,214	**1,573,543**	**754,461**	**327,458**	**94,495**

26 Unit trusts

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	2,122,003	926,914	397,729	137,965	66,227
Additions	1,441,964	1,075,136	679,740	248,557	58,379
Fair value gains/ (losses)	701,645	119,953	(150,555)	11,207	13,359
	4,265,612	**2,122,003**	**926,914**	**397,729**	**137,965**

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

27 Weighted average effective interest rates

The following table summarises the annual weighted average effective interest rates on the principal interest-bearing investments:

	2010	2009	2008	2007	2006
	%	%	%	%	%
Mortgage loans	12.04	13.12	13.48	13.9	14.0
Policy loans	14.50	14.50	14.5	14.5	14.5
Government securities	11.02	11.16	10.74	10.9	10.4
Deposits with financial institutions	2.62	8.37	8.39	5.8	5.7
Unit trusts				8.9	17.7
Corporate bond	10.45	11.71	10.9	8.7	8. 5

Deposits with financial institutions have an average maturity of 3 months for the years 2010, 2009, 2008, 2007 and 2006

28 Insurance contract liabilities

	GROUP				
	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Long term insurance contracts					
- claims reported and claims handling expenses	367,418	142,880	146,231	128,877	84,282
- actuarial value of long term liabilities (Note 32)	5,155,605	4,257,668	4,057,923	3,807,504	3,202,415
Total – long term	**5,523,023**	**4,400,548**	**4,204,154**	**3,936,381**	**3,286,697**

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Short term non-life insurance contracts					
- claims reported and claims handling expenses	625,674	431,832	238,791	153,225	152,168
- claims incurred but not reported (Note 31)	197,501	118,136	50,671	62,261	41,148
Total – short term (Notes 31)	823,175	549,968	289,462	215,486	193,316
Total gross insurance liabilities	**6,346,198**	**4,950,516**	**4,493,616**	**4,151,867**	**3,480,013**

Movements in insurance liabilities and reinsurance assets are shown in note 30.

29 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	2006	2007	2008	2009	2010	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Estimate of ultimate claims costs:						
– at end of accident year	236,213	249,607	376,624	469,746	744,229	2,076,419
– one year later	263,638	297,986	453,452	589,677	-	1,604,753
– two years later	265,699	302,040	448,578	-	-	1,016,317
– three years later	279,251	315,286	-	-	-	594,537
– four years later	281,914	-	-	-	-	281,914
Current estimate of cumulative claims	281,914	315,286	448,578	589,677	744,229	2,379,684
Add: Incurred but not Reported	-	-	-	-	197,502	197,502
Add: Liability in respect of prior years	21,484		-	-	-	21,484
Less: Cumulative payments to date	207,903	216,852	307,540	418,096	625,104	1,775,495
Liability included in the balance Sheet	**95,495**	**98,434**	**141,038**	**171,581**	**316,627**	**823,175**

30 Long term insurance contract liabilities

The Group determines its liabilities on long term insurance contracts based on assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. A margin for risk and uncertainty is added to these assumptions. The liabilities are determined on the advice of the consulting actuary and actuarial valuations carried out on an annual basis.

The surplus as detailed in the valuations is as summarised in the table below

	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Valuation surplus	6,136,000	3,375,000	3,878,000	3,061,814	620,328

Valuation assumptions

The latest actuarial valuation of the life fund was carried out as at 31 December 2010 by QED Actuaries and Consultants (Pty) Limited, consulting actuaries, using the net premium valuation method as required by the Insurance Act.

Significant valuation assumptions are summarised below. The assumptions have not changed for the last five years to 31 December 2010

a) Mortality

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

b) Persistency

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

c) Investment returns

A weighted average rate of investment return is derived with reference to the portfolio that backs the liabilities. The rate of return for the last five years to 31 December 2010 was 4%.

d) Expenses, tax and inflation

The current level of expenses is taken to be an appropriate expense base. Expense inflation is assumed to be 10% for the last five years to 31 December 2010.

31 Movements in insurance liabilities and reinsurance assets

Short term insurance business

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Notified claims	431,832	151,816	280,016	238,791	89,403	149,388
Incurred but not reported	118,136	14,925	103,211	50,671	6,791	43,880
Total at beginning of year	**549,968**	**166,741**	**383,227**	**289,462**	**96,194**	**193,268**
Cash paid for claims settled in year	(829,368)	(166,972)	(662,396)	(535,129)	(86,099)	(449,030)
Increase in liabilities:						
- arising from current year claims	839,387	180,188	659,199	636,027	75,258	560,769
- arising from prior year claims	263,188	122,065	141,123	159,608	81,388	78,220
Total at end of year	**823,175**	**302,022**	**521,153**	**549,968**	**166,741**	**383,227**
Notified claims	625,674	259,573	366,101	431,832	151,816	280,016
Incurred but not reported	197,501	42,449	155,052	118,136	14,925	103,211
Total at the end of year	**823,175**	**302,022**	**521,153**	**549,968**	**166,741**	**383,227**

	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Notified claims	153,225	69,869	83,356	152,168	86,660	65,508
Incurred but not reported	62,261	24,948	37,313	41,148	25,580	15,568
Total at beginning of year	215,486	94,817	120,669	193,316	112,240	81,076
Cash paid for claims settled in year	(349,287)	(104,733	(244,544)	(250,985)	(119,983)	(131,002)
Increase in liabilities:						
- arising from current year claims	333,317	86,497	246,820	200,647	70,604	130,043
- arising from prior year claims	89,946	19,613	70,333	72,508	31,956	40,552
Total at end of year	**289,462**	**96,194**	**193,268**	**215,486**	**94,817**	**120,669**
Notified claims	238,791	89,403	149,388	153,225	69,869	83,356
Incurred but not reported	50,671	6,791	43,880	62,261	24,948	37,313
Total at the end of year	**289,462**	**96,194**	**193,268**	**215,486**	**94,817**	**120,669**

31 Movements in insurance liabilities and reinsurance assets (continued)

2006	Gross	Reinsurance	Net
	Kshs'000	Kshs'000	Kshs'000
Notified claims	84,626	27,423	57,203
Incurred but not reported	42,518	19,825	22,693
Total at beginning of year	127,144	47,248	79,896
Cash paid for claims settled in year	(171,740)	(61,826)	(109,914)
Increase in liabilities:			
- arising from current year claims	157,937	92,429	65,508
- arising from prior year claims	79,975	34,389	45,586
Total at end of year	193,316	112,240	81,076
Notified claims	152,168	86,660	65,508
Incurred but not reported	41,148	25,580	15,568
Total at the end of year	**193,316**	**112,240**	**81,076**

32 Actuarial value of long term liabilities

	2010			2009		
	Ordinary life	Group life	Total	Ordinary life	Group life	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At beginning of year	3,965,162	292,506	4,257,668	3,894,076	163,847	4,057,923
Policyholder bonuses and interest	(480,887)	-	(480,887)	(429,763)	-	-429,763
Surrenders and annuity payments	(362,706)	-	(362,706)	(297,984)	-	-297,984
Increase in the period (net)	1,493,031	248,499	1,741,530	982,249	195,662	1,177,911
At end of year	**4,614,600**	**541,005**	**5,155,605**	**3,965,162**	**292,506**	**4,257,668**

	2008			2007		
	Ordinary life	Group life	Total	Ordinary life	Group life	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At beginning of year	3,710,660	96,844	3,807,504	3,113,659	44,769	3,158,428
Policyholder bonuses and interest	-406,865	-	-406,865	-322,651	-	-322,651
Surrenders and annuity payments	-227,569	-	-227,569	-191,307	-	-191,307
Increase/(decrease) in the period (net)	817,850	67,003	884,853	1,110,959	52,075	1,163,034
At end of year	**3,894,076**	**163,847**	**4,057,923**	**3,710,660**	**96,844**	**3,807,504**

2006	Ordinary life	Group life	Total
	Kshs'000	Kshs'000	Kshs'000
At beginning of year	2,814,657	47,007	2,861,664
As restated	2,814,657	47,007	2,861,664
Policyholder bonuses and interest	-258,255	--	-258,255
Surrenders and annuity payments	-178,426	-	-178,426
Increase/(decrease) in the period (net)	779,670	-2,238	777,432
At end of year	**3,157,646**	**44,769**	**3,202,41 5**

33 Liabilities under investment contracts

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 January	1,640,902	747,582	267,235	93,692	61,305
Net Investments :	1,250,836	1,045,136	666,882	212,498	59,579
Liabilities released for payments:					
Surrenders	(3,453)	(199,488)	(3,002)	(197)	(3,957)
Bonuses	-	-	-	(4,493)	(3,149)
Maturities	-	-	-	(34,265)	(20,082)
Fair value loss on investment	294,751	47,672	(183,533)	-	-
At 31 December	**3,183,016**	**1,640,902**	**747,582**	**267,235**	**93,692**

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.

34 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.

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 January	2,754,617	1,840,841	1,264,923	942,347	630,377
Pension fund deposits received	854,542	901,688	595,390	339,774	242,542
Surrender and annuities paid	(737,039)	(183,842)	(109,194)	(124,202)	(73,744)
Interest payable to policyholders	396,857	195,930	89,722	107,004	148,542
Transfer to insurance contract liabilities		-	-	-	(5,370)
At 31 December	**3,268,977**	**2,754,617**	**1,840,841**	**1,264,923**	**942,347**
Interest declared	**15%**	**9%**	**6%**	**10.5%**	**18%**

35 Bank loan

The loan is secured by lien on quoted shares at fair value through profit and loss at 11.5%. The loan was not in default at any time during the period

Group	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
At 1 January	747,618	777,416	122,322	185,083	-
Addition	-	-	611,000	-	175,000
Repayment	(94,855)	(130,211)		(75,083)	
Interest payable	96,556	100,413	44,094	12,322	10,083
At 31 December	**749,319**	**747,618**	**777,416**	**122,322**	**185,083**

Company	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
At 1 January	747,618	777,416	122,322	-	
Addition	-	-	611,000	185,083	-
Repayment	(94,855)	(130,211)		(75,083)	
Interest payable	96,556	100,413	44,094	12,322	-
At 31 December	**749,319**	**747,618**	**777,416**	**122,322**	-

36 Unearned premium (GROUP)

Unearned premium represents the liability for short term business contracts where the Group's obligations are not expired at the year end. Movement in the reserve is shown below Unearned premium represents the liability for short term business contracts where the Group's obligations are not expired at the year end. Movement in the reserve is shown below

Unearned premium	2010			2009		
	Insurer's share	Reinsures' share	Gross	Insurer's share	Reinsures' share	Gross
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At beginning of year	484,670	82,703	567,373	311,360	77,148	388,508
Increase in the period (net)	126,021	22,351	148,372	173,310	5,555	178,865
At end of year	**610,691**	**105,054**	**715,745**	**484,670**	**82,703**	**567,373**

Unearned premium	2008			2007		
	Insurer's share	Reinsurers' share	Gross	Insurer's share	Reinsurers' share	Gross
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At beginning of year	137,722	69,777	207,499	106,059	88,175	194,234
Increase in the period (net)	173,638	7,371	181,009	31,663	-18,398	13,265
At end of year	**311,360**	**77,148**	**388,508**	**137,722**	**69,777**	**207,499**

Unearned premium	2006		
	Insurer's share	Reinsurers' share	Gross
	Kshs'000	Kshs'000	Kshs'000
At beginning of year	69,787	63,773	133,560
Increase in the period (net)	36,272	24,402	60,674
At end of year	**106,059**	**88,175**	**194,234**

37 Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2009: 30%). The movement on the deferred income tax account and the composition of the unrecognised deferred income tax asset is as follows:

	2010		2009		
	31.12.10	Movement	31.12.09	Movement	1.1.09
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Property and equipment:					
- on historical cost basis	7,954	2,170	5,784	3,886	1,898
Provisions	4,661	(127)	4,787	4,013	774
Investment property	-	1,996	(1,996)	(1,996)	-
Tax losses carried forward:					
- British-American Insurance Company (Kenya) Limited	-	-	-	(2,909,689)	2,909,689
- British-American Asset Managers Limited	5,619	(10,834)	16,453	9,721	6,732
- British-American Investment Company (Kenya) Limited	215,752	65,443	150,310	88,954	61,356
Less: Deferred tax asset not recognised:					
- British-American Insurance Company (Kenya) Limited	(4,313)	(3,677)	(636)	2,912,273	(2,912,909)
- British-American Investment Company (Kenya) Limited	(217,884)	(65,847	(152,040)	(90,742)	(61,294)
Net deferred tax asset	**11,789**	**(10,876)**	**22,662**	**16,420**	**6,246**

The deferred tax on tax losses of one of the Company's subsidiaries, British-American Asset Managers Limited, has been recognised on the basis of management's projections which indicate that the Company will be able to make sufficient taxable income to off-set these losses within the maximum permitted carry-forward period of four years. The 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 4 year period permitted by the Kenyan Income Tax Act.

Deferred tax assets/liabilities are classified as non current assets/liabilities.

37 Deferred income tax (continued)

	2008		2007		
	31.12.08	**Movement**	**31.12.07**	**Movement**	**1.1.07**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Property and equipment:					
- on historical cost basis	3,499	(1,227)	4,726	(163)	4,889
- on revaluation surpluses	(9,343)	(3,505)	(5,838)	(4,363)	(1,475)
Investment property fair value gains	(164,635)	(52,598)	(112,037)	(25,019)	(87,018)
Provisions	(5,955)	(1,530)	(4,425)	(1,432)	(2,993)
Deferred acquisition costs	(10,398)	(4,643	(5,755)	(967)	(4,788)
Tax losses carried forward					
- British-American Insurance Company (Kenya) Limited	-	(716,326)	716,326	68,007	648,319
- British-American Asset Managers Limited	6,320	-	6,320	(2,811)	9,131
- British-American Investment Company Limited	204,519	18,718	185,801	185,801	-
Other deductible temporary differences	(13,148)	-	(13,148)	-	(13,148)
Retirement benefit asset	7,112	10,924	(3,812)	(253)	(3,559)
Less: Deferred tax asset not recognised:					
British-American Insurance Company (Kenya) Limited	(136,476)	439,561	(576,037)	(26,679)	(549,358)
British-American Investment Company Limited	(204,519)	310,552	(185,801)	(185,801)	-
Net deferred tax asset	**186,548**	**768,905**	**582,357**	**32,999**	**549,358**

Except for the deferred tax relating to British-American Asset Managers Limited, the balance of the net deferred income tax asset was not recognised in the accounts because the tax losses carried forward for British-American Insurance Company (Kenya) Limited continue to increase placing reasonable doubt as to the realisation of the asset in the foreseeable future. There is reasonable certainty as to the realisation of the asset in the foreseeable future for British-American Asset Managers Limited.

37 Deferred income tax (continued)

	31.12.06	Movement	1.1.06
	Kshs'000	Kshs'000	Kshs'000
Property and equipment:			
- on historical cost basis	4,726	(163)	4,889
- on revaluation surpluses	(5,838)	(4,363)	(1,475)
Investment property fair value gains	(112,037)	(25,019)	(87,018)
Provisions	(4,425)	(1,432)	(2,993)
Deferred acquisition costs	(5,755)	(967)	(4,788)
Tax losses carried forward:			
- British-American Insurance Company (Kenya) Limited	716,326	68,007	648,319
- British-American Asset Managers Limited	6,320	(2,811)	9,131
Other deductible temporary differences	(13,148)	-	(13,148)
Retirement benefit asset	(3,812)	(253)	(3,559)
Less: Deferred tax asset not recognised:			
British-American Insurance Company (Kenya) Limited	(582,357)	(32,999)	(549,358)
Net deferred tax asset	-	-	-

38 Other payables

	GROUP					COMPANY				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Accrued expenses	164,877	128,028	104,194	187,866	108,455	11,739	6,131	-	-	-
Premiums paid in advance	76,222	61,866	93,644	142,579	161,134	-	-	-	-	-
Dues to funds under management	-	-	-	-	12,411	-	-	-	-	-
Other liabilities	177,309	93,870	91,949	19,411	27,230	-	-	14,449	10,608	449
	418,408	**283,764**	**289,787**	**349,856**	**309,230**	**11,739**	**6,131**	**14,449**	**10,608**	**449**

39 Commitments

The commitments as at the financial reporting date were as summarised in the table below

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Commitments	275,000	261,618	-	-	88,500

40 Cash and cash equivalent

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

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs '000
Cash and bank balances	415,376	193,040	109,971	148,472	100,764
Deposits with financial institutions	500,102	206,640	421,448	66,925	29,251
Bank overdraft	(1,360)	(51,152)	(61,334)	(32,910)	(92,894)
Total cash and cash equivalents	**914,118**	**348,528**	**470,085**	**182,487**	**37,121**

The weighted average effective interest rate on short-term bank deposits was 2.67% (2009: 8.37%, 2008: 8.39% 2007: 6% and 2006: 6%).

The effective interest rate on overdraft was 4.3% (2009:10.6%, 2008:10.6%, 2007: 8.9% and 2006: 9.2%) which was the applicable 91 day Treasury Bill rate plus a margin of 2%.

41 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Profit/ (loss) before tax	**2,873,589**	**(334,334)**	**340,067**	**2,112,178**	**486,365**
Adjustments for:					
Depreciation of leasehold improvements and equipment (Note 15)	48,784	31,683	31,278	25,767	30,623
Amortisation of intangible assets (Note 16)	20,640	18,930	15,127	14,925	13,505
Investment income	(4,684,634)	(196,169)	(509,137)	(2,492,568)	(1,604,874)
Changes in:					
Receivables arising out of direct insurance arrangements	35,480	1,333	40,593	(108,179)	(62,066)
Receivables arising out of reinsurance arrangements	44,009	(6,074)	(44,067)	(2,276)	13,419
Re-insurers' share of technical provisions and reserves	(187,937)	(72,666)	10,691	13,215	(63,348)
Increase in technical provisions	-	-	-	13,265	60,674
Increase in unearned premium reserves	148,372	178,865	181,009	-	
Retirement benefit liability	(9,718)	11,726	36,646	-	
Other payables	134,644	(6,023)	(28,297)	40,626	37,071
Receivables from related parties	30,364	15,736	(10,384)	(6,190)	(34,592))
Deferred acquisition costs	(20,520)	(18,281)	(15,478)	(3,221)	(5,125)
Other receivables	(229,055)	36,609	2,386	(36,138)	(9,642)
Increase in insurance contract liabilities	1,395,682	456,901	250,419	605,088	1,140,669
Actuarial liabilities under investment contract	1,542,114	893,319	480,347	173,544	(11,599)
Payable under deposit administration contracts	514,360	913,776	575,918	322,576	311,970
Creditors arising out of reinsurance arrangements	42,677	14,896	(59,581)	(12,124)	18,369
Cash generated from operations	**1,698,851**	**1,940,227**	**1,297,537**	**660,488**	**321,419**

42 Related party transactions

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

The following transactions were carried out with related parties:

A management fee of Shs 18 million per year for the last five years to 31 December 2010 was paid to British-American (UK) Limited for consultancy services.

	Dues from related parties – Group				
	2010	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Staff saving and credit societies	2,538	3,366	5,051	-	-
British-American Insurance Company (Mtius) Limited	158	-	-	1,193	1,192
Secured loan to a director	-	29,694	43,745	37,219	31,029
	2,696	**33,060**	**48,796**	**38,412**	**32,221**

The loan to a director was secured on shares quoted on the stock exchange at an interest rate of 17%.

The value of Equity Bank Limited shares held by the Group at the end of the year amounted to Shs 10,949,055,000 (2009:Shs 6,092,613,000, 2008: Shs 7,429,067,760, 2007: 6,050,173,350 and 2006: Shs 1,857,118,257) while those of Housing Finance Limited amounted to Shs 764,640,000 (2009: 414,317,000, 2008: Shs 334,650,000, 2007: Shs 257,801,250 and 2006: Nil). The Group has also invested Shs 4,265,612,000, (2009:Shs 2,122,003,000, 2008: Shs 926,914,000, 2007: Shs 367,322 and 2006: Shs 121,520) in the various British-American unit trust funds.

Due to related parties	**2010**	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
British-American Insurance Company (Kenya) Limited	751,465	640,505	744,794	552,381	468,540
Due from related party – Company					
British-American Asset Managers Company Limited	16,852	20,900	50,000	-	-
Britam Insurance Company (Uganda) Limited	8,451	-	-	-	-
	25,303	**20,900**	**50,000**	-	-

The inter-company balances attract interest at 11% and this amounted to Shs 72 million (2009: 55 million, 2008: Shs 60 million, 2007: Shs 51 million and 2006: Shs 51 million).

ii) Mortgage loans to directors of the Group

Loans to directors and their families	**2010**	**2009**	**2008**	**2007**	**2006**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year	157,854	137,052	156,766	161,111	97,430
Loans advanced during the period	1,121	26,025	9,490	-	64,242
Loan repayments received	(44,937)	-5,223	(29,204)	(4,345)	(561)
At end of year	**114,038**	**157,854**	**137,052**	**156,766**	**161,111**

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

Interest charged on the loans to directors amount to Shs 16,295,909 (2009: Shs 19,825,810, 2008: Shs 26,749,271, 2007: Shs 23,110,000, 2006: Shs 14,779,000)

iii) Transactions with related parties

Gross earned premium	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
Equity Bank Limited	934,487	800,388	202,011	15,125	12,173
British-American Asset Managers	1,394	1,386	800	-	-
Net claims incurred - Equity Bank Limited	468,538	162,677	75,573	1,776	745
Interest on related party balances	55,338	67,221	68,039	58,325	32,694
Fair value gains/(losses)					
Equity Bank Limited	5,056,707	1,359,043	279,460	4,156,990	937,585
Housing Finance Company of Kenya Limited	211,894	13,238	191,451	150,275	-

	31 Dec 10 Kshs'000	31 Dec 09 Kshs'000	31 Dec 08 Kshs'000	31 Dec 07 Kshs'000	31 Dec 06 Kshs'000
Group's holding in Equity Bank Limited	11.05%	11.47%,	11.47%	11.14%	14.75%
Group's holding in Housing Finance Company of Kenya Limited	12.55%	10.01%	10.01%	4.9%	Nil

Directors' and senior management remuneration – Group

	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
Directors' fees	3,300	3,393	3,413	3,100	3,900
Director's other remuneration	79,104	74,024	39,975	33,599	20,614
Senior managers' remuneration	128,216	111,843	57,837	51,087	43,394
	210,620	**189,260**	**101,225**	**87,786**	**67,908**

43 Investment in subsidiary companies - Company

	% holding in equity shares	2010 Kshs'000	2009 Kshs'000	2008 Kshs'000	2007 Kshs'000	2006 Kshs'000
British-American Insurance Company (Kenya) Limited	100	480,000	480,000	450,000	300,000	150,000
British-American Asset Managers Limited	100	80,000	80,000	30,000	30,000	30,000
Britam Insurance Company (Uganda) Limited	100	200,000	-	-	-	-
		760,000	**560,000**	**480,000**	**330,000**	**180,000**

Investments in subsidiary companies are classified as non current assets.

44. Retirement benefit liability

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

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Present value of funded obligations	279,710	188,903	95,687	84,984	73,587
Fair value of plan assets	(139,003)	(99,569)	(85,437)	(180,609)	(82,234)
Deficit\(surplus) of funded plans	140,707	89,334	10,250	(95,625)	(8,647)
Unrecognised actuarial gains/(losses)	(114,992)	(53,901)	13,457	108,564	20,512
Liability in the balance sheet	**25,715**	**35,433**	**23,707**	**12,939**	**11,865**

The movement in the defined benefit obligation over the years were as follows:

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	188,903	95,687	180,609	82,234	121,674
Current service cost	12,935	9,767	4,689	10,824	4,361
Interest cost	17,467	22,532	11,122	9,564	7,984
Actuarial (gains) / losses	70,486	63,187	(98,671)	83,051	(44,225)
Benefits paid	(10,081)	(2,270)	(2,062)	(5,064)	(7,560)
At end of year	**279,710**	**188,903**	**95,687**	**180,609**	**82,234**

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

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	99,569	85,437	84,984	79,677	119,313
Expected return on scheme assets	16,897	11,051	10,062	11,882	5,583
Actuarial (losses)/gains	(3,620)	(2,866)	(12,690)	(11,735)	(48,346)
Employer contributions	28,111	-	5,143	10,224	6,253
Employee contributions	8,127	8,217	(2,062)	(5,064)	(3,127)
Benefits paid	(10,081)	(2,270)	-	-	-
At end of year	**139,003**	**99,569**	**85,437**	**84,984**	**79,677**

Plan assets comprise:

	2010	2010	2009	2009	2008	2008	2007	2007	2006	2006
	Kshs'000	%	Kshs'000	%	Kshs'000	%	Kshs'000	%	Kshs'000	%
Equity instruments	53,517	39	36,841	37	33,510	39	43,179	51	43,144	54%
Debt instruments	61,344	44	58,746	59	42,294	50	39,542	46	34,830	44%
Property	9,188	7	996	1	-	-	-	-	-	-
Other	14,954	11	2,987	3	9,633	11	2,263	3	1,733	2%
Total	**139,033**	**100%**	**99,570**	**100%**	**84,437**	**100%**	**84,984**	**100%**	**79,707**	**100%**

Expected contributions to the plan for the year ending 31 December 2010 are Shs. 152,936,000 (2009: 92,913,000, 2008: Shs 12,270,000 2007: Shs 11,123,145 2006 Shs 9,912,652).The amounts recognised in the income statement for the year are as follows:

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Current service cost	12,935	9,767	4,689	10,824	4,361
Interest cost	17,467	22,532	11,325	9,564	7,984
Expected return on scheme assets	(16,897)	(11,051)	(10,062)	(11,882)	(5,583)
Net actuarial losses recognised in the year	13,015	(1,305)	35,837	644	24,775
Contributions received from members	(8,127)	(8,217)	(5,143)	(10,224)	(6,253)
Total, included in employee benefit expense	**18,393**	**11,726**	**36,646**	**(1,074)**	**25,284**

The actual return on scheme assets was Shs 13,277,000 (2009: Shs 8,185,000, 2008:Shs 3,402,000, 2007: Shs 6,237,000 and 2006 Shs 15,245,000).

The principal actuarial assumptions used were as follows:

	2010	2009	2008	2007	2006
- discount rate	9.50%	12.00%	11.75%	12.00%	14.5%
- expected rate of return on scheme assets	15.00%	12.50%	12.50%	15.00%	10%
- future salary increases	8%	10.00%	10.00%	20%	12%

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

	2010	2009	2008	2007	2006
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Present value of defined benefit obligation	(279,710)	(188,903)	(95,687)	(180,609)	(82,234)
Fair value of plan assets	139,003	95,569	85,437	84,984	73,587
Deficit in the plan	(140,707)	(93,334)	(10,250)	(95,625)	(8,647)
Experience adjustments on plan liabilities	(10,874)	(68,587)	70,262	93,773	59,893
Experience adjustments on plan assets	(804)	(2,866)	(8,672)	(1,684)	10,779

45. Contingent liabilities

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

Appendix 4: Management Accounts for four months period to 30 April 2011

Contents

1. Management accounts to 30 April 2011 – Consolidated

The un-audited management accounts comprising the Income Statement, Balance Sheet and the Statement of Cashflows for the four months period to 30 April 2011 for the British-American Investments Company (Kenya) Limited Group, are presented below.

1.1 Income Statement

The un-audited consolidated Income Statement for the four months period to 30 April 2011 and the comparative period to 30 April 2010 are as follows:

Table 1: Consolidated Income Statement for the four months period to 30 April 2011 and 30 April 2010

	4 months period to 30-Apr-11 Kshs'000	4 months period to 30-Apr-10 Kshs'000
Gross earned premiums and fund management fees	1,844,393	1,347,347
Less: reinsurance premium ceded	(214,640)	(189,426)
Net earned premiums and fund management fees	**1,629,753**	**1,157,921**
Investment income	415,466	1,895,418
Commissions earned	50,752	47,432
Other income	6,413	7,196
Net income	**2,102,384**	**3,107,967**
Claims and policy holder benefits	858,866	1,057,306
Less: amounts recoverable from reinsurers	(66,903)	(44,574)
Net claims payable	**791,963**	**1,012,732**
Operating and other expenses	487,028	426,839
Commissions payable	360,631	302,634
	847,659	**729,473**
Profit before tax	**462,762**	**1,365,762**
Income tax expense	(55,750)	(49,509)
Profit after tax	**407,012**	**1,316,253**

Table 2: Consolidated Statement of Comprehensive Income for the four months period to 30 April 2011 and 30 April 2010

	4 months period to 30-Apr-11 Kshs'000	4 months period to 30-Apr-10 Kshs'000
Profit for the period after tax	**407,012**	**1,316,253**
Other comprehensive income:		
Gains on revaluation of available for sale financial assets	*55,606	967,610
Total comprehensive income for the period	**462,618**	**2,283,863**

**The revaluation gains arise from periodical fair valuation of quoted equity stocks. Under the current Income Legislation, these are not subject to corporate tax*

The Group has made a profit before tax of Kshs 463 million over the four months period to 30 April 2011, which is lower than the performance for the same period in 2010 by Kshs 903 million. This is largely attributed to reduced investment income that fell by Kshs 1,480 million from Kshs 1,895 million in 2010 to Kshs 415 million in 2011.

The Income tax expense for the four months period to 30 April 2011 of Kshs 55 million includes a charge of Kshs 17.5 million in respect of the Life Insurance business. This has been calculated based on a third of the amount that is expected to be transferred in 2011. The full year transfer is projected at Kshs 175 million for which the tax tax is computed at Kshs 52.5million.

Gross premium and fund management fees increased by Kshs 0.5 billion in the four months to 30 April 2011 when compared to the same period 2010. The growth of 37% is attributed to increased business from bottom of the pyramid comprising of bancassurance products for General Business and Individual Life business premiums. The retention limits for the ordinary life and group life business increased thereby contributing to an increase in premium underwritten. The total assets under management increased by 51% at 30 April 2011 when compared to 30 April 2010.

Investment income decreased by Kshs 1.5 billion largely due to subdued demand for equities on the Nairobi Stock Exchange. Specifically, the NSE 20 Share Index fell to 4,029 points at 30 April 2011 compared to 4,432 points at 31 December 2010 and 4,233 points at 30 April 2010 culminating in reduced fair value of the quoted shares held by the Group. The NSE performance index at 30 April 2010 improved to 4,233 points from 3,247 points at 31 December 2009 supporting increased fair value hence investment income from quoted shares held by the Group as at 30 April 2010.

Net Claims decreased by Kshs 220 million or 22% at 30 April 2011 compared to the same period in the prior year largely due to a decline in Life Business claims.

Operating expenses increased by Kshs 60 million or 14% largely due to salary increments and increased advertising campaign to promote the British-American brand.

The return on equity based on comprehensive income and opening equity to 30 April 2011 is calculated at 5%.

1.2 Balance Sheet

The un-audited consolidated balance sheet for the British-American Group as at 30 April 2011 and audited consolidated balance sheet as at 31 December 2010 are as follows:

Table 3: Balance Sheet - Consolidated

	30-Apr-11 Kshs' 000	31-Dec-10 Kshs' 000
Capital employed		
Share capital	150,000	150,000
Other reserves	6,183,542	6,127,936
Retained earnings	4,499,056	4,092,044
Proposed dividends	-	200,000
Shareholders' funds	**10,832,598**	**10,569,980**
Represented by:		
Assets		
Property and equipment	581,260	581,420
Intangible assets	98,350	91,878
Investment property	1,173,706	1,173,571
Available-for-sale assets	6,005,468	5,979,690
Investment at fair value through profit and loss		
- quoted ordinary shares	7,844,534	7,535,861
- unquoted ordinary shares	50,490	50,490
- Government securities	307,693	361,360
-Unit trusts	4,417,886	4,265,612
Government securities held to maturity	2,629,335	2,109,214
Corporate bond	309,266	305,717
Mortgage loans	554,512	576,464
Loans to policyholders	263,998	303,418
Receivables arising out of reinsurance arrangements	43,763	10,081
Receivables arising out of direct insurance arrangements	304,505	161,277
Reinsurers' share of insurance liabilities	495,481	463,893
Receivables from related local companies	105	2,696
Deferred acquisition costs	80,251	73,461
Deferred tax	11,789	11,789
Tax recoverable	5,709	-
Other receivables	532,701	388,547
Deposits with financial institutions	403,123	500,102
Cash and bank balances	452,105	415,376
Total assets	**26,566,030**	**25,361,917**
Liabilities		
Insurance contracts liabilities	6,760,480	6,346,198
Payable under deposit administration contracts	3,513,058	3,268,977
Liabilities under premium investment contracts	3,281,934	3,183,016
Provisions for unearned premium and unexpired risks	801,376	715,745
Creditors arising from reinsurance arrangements	111,789	60,011
Retirement benefit liability	25,715	25,715
Bank loan	777,733	749,318
Other payables	451,544	418,408
Current income tax payable	-	23,189
Overdraft	9,803	1,360
Total liabilities	**15,733,432**	**14,791,937**
Net Assets	**10,832,598**	**10,569,980**

The consolidated shareholder funds increased marginally to Kshs 10.8 billion at 30 April 2011 from Kshs 10.6 billion at 31 December 2010.

Total assets increased by Kshs 1.1 billion or 4.7% at 30 April 2011 when compared to 31 December 2010. The investments at fair value (comprising largely of quoted ordinary shares and Unit Trusts) increased by Kshs 407 million to Kshs 12.6 billion at 30 April 2011 from Kshs 12.2 billion at 31 December 2010. The investments at fair value include quoted shares in Housing Finance consitituting 16.57% of the company's equity at 30 April 2011 (12.55% shareholding as at 31 December 2010).The Available for Sale Assets valued at Kshs 6 billion at 30 April 2011 comprise of the 11.03% shareholding in the Equity Bank Limited (11.05% shareholding as at 31 December 2010). Despite the decline in the NSE 20 Share Performance Index between 31 December 2010 and 30 April 2011, the specific holding in quoted shares increased due to an appreciation of share prices of Equity Bank and Housing Finance as well as additional investment of 10,202,709 ordinary shares in Housing Finance at Kshs 272.9 million in the four months period to 30 April 2011.

The investments in Government Securities increased by Kshs 0.5 billion to Kshs 2.6 billion from Kshs 2.1 billion as at 31 December 2010. Receivables from direct insurance arrangements increased by Kshs 143 million to Kshs 304 million attributed to the growth in bottom of the pyramid business, growth in ordinary life and credit life business The increase in other receivables by Kshs 144 million to Kshs 0.53 billion at 30 April 2011 is due to an increase in prepayments when compared to 31 December 2010.

The total liabilities have increased by Kshs 0.9 billion attributed to increased premiums written hence higher unearned premium reserves, and increased claims' outstanding provisions.

1.3 Consolidated Statement of Changes in Equity

The un-audited Consolidated Statement of Changes in Equity for the four months period to 30 April 2011 is as follows:

Table 4: Consolidated Statement of Changes in Equity for the four months period ended 30 April 2011

	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Proposed dividends**	**Total equity**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At 1 January 2011	150,000	6,127,936	4,092,044	200,000	10,569,980
Total comprehensive income for the year					
Profit for the year	-	-	407,012	-	407,012
Other comprehensive income:					
Gains on revaluation of land and buildings	-	-	-	-	-
Fair value gains on available-for-sale financial assets	-	55,606	-	-	55,606
Total other comprehensive income	-	55,606	-	-	55,606
Total comprehensive income for the year	**-**	**55,606**	**407,012**	**-**	**462,618**
Transfer to other reserves	-	-	-	-	-
Transactions with owners					
Dividends:					
- Final for 2010	-	-	-	(200,000)	(200,000)
- Proposed final for 2011	-	-	-	-	-
Total transactions with owners	-	-	-	(200,000)	(200,000)
At 30 April 2011	**150,000**	**6,183,542**	**4,499,056**	**-**	**10,832,598**

The audited Consolidated Statement of Changes in Equity for the year ended 31 December 2010 is as follows:

Table 5: Consolidated Statement of Changes in Equity for the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital	**Other reserves**	**Retained earnings**	**Proposed dividends**	**Total equity**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At 1 January 2010	150,000	3,207,206	1,729,892	120,000	5,207,098
Total comprehensive income for the year					
Profit for the year	-	-	2,713,784	-	2,713,784
Other comprehensive income:					
Gains on revaluation of land and buildings	-	13,533	-	-	13,533
Fair value gains on available-for-sale financial assets	-	2,755,565	-	-	2,755,565
Total other comprehensive income	-	2,769,098	-	-	2,769,098
Total comprehensive income for the year	**-**	**2,769,098**	**2,713,784**	**-**	**5,482,882**
Transfer to other reserves	-	151,632	(151,632)	-	-
Transactions with owners					
Dividends:					
- Final for 2009	-	-	-	(120,000)	(120,000)
- Proposed final for 2010	-	-	(200,000)	200,000	-
Total transactions with owners	-	-	(200,000)	80,000	(120,000)
At 31 December 2010	**150,000**	**6,127,936**	**4,092,044**	**200,000**	**10,569,980**

1.4 Statement of Cashflows

The un-audited Consolidated Statement of Cashflows for the four months period ended 30 April 2011, and the audited Consolidated Statement of Cashflows for the year ended 31 December 2010 and for the un-audited Consolidated Statement of Cashflows for four months period to 30 April 2010 are as follows:

Table 6: Statement of Cashflows

	30-Apr -11 Kshs'000	31-Dec-10 Kshs'000	30-Apr- 10 Kshs'000
Operating activities			
Cash generated from operations	639,159	1,698,851	561,363
Income tax paid	(75,236)	(100,096)	(33,360)
Net cash from operating activities	**563,923**	**1,598,755**	**528,003**
Investing activities			
Purchase of property and equipment	(16,877)	(97,467)	(23,913)
Purchase of intangible assets	(11,161)	(34,420)	(13,803)
Purchase of investment property	(136)	(279,229)	(236,835)
Sale of investment property	-	270,717	110,876
Net investment in government securities at fair value through profit or loss	53,667	162,200	96,497
Investment in government securities held to maturity	(496,937)	(587,271)	(189,220)
Investment in unit trusts	(250,290)	(1,441,964)	(422,358)
Purchase of corporate bond	(3,549)	(17,869)	2,398
Purchase of quoted shares at fair value through profit or loss	(318,860)	(348,712)	(111,927)
Proceeds from disposal of quoted shares- at fair value through income statement	-	405,764	149,874
Purchase of available for sale quoted shares	-	(414,372)	(123,411)
Proceeds from disposal of available for sale quoted shares	38,784	472,352	143,543
Purchase of unquoted shares	-	(50,490)	-
Mortgage loans advanced	-	(29,784)	(9,928)
Mortgage loans repayments	21,953	113,197	37,732
Net policy loans	39,421	54,371	(11,343)
Dividend received	351,628	251,395	190,475
Rent and interest received	159,741	813,272	304,302
Net cash used in investing activities	**(432,616)**	**(758,310)**	**(107,041)**
Cash flows from financing activities			
Loan repayment	-	(94,855)	-
Dividends paid	(200,000)	(180,000)	(120,000)
Net cash used in financing activities	**(200,000)**	**(274,855)**	**(120,000)**
Increase / (decrease) in cash and cash equivalents	**(68,693)**	**565,590**	**300,962**
Movement in cash and cash equivalents			
At start of year	914,118	348,528	348,528
Increase / (decrease)	(68,693)	565,590	300,962
At end of year	**845,425**	**914,118**	**649,490**

The consolidated cashflows from operating activities increased by Kshs 36 million to Kshs 564 million in the four months period to 30 April 2011 when compared to the same period in the prior year. This is attributed to the growth in insurance business.

Net cash used in investing activities increased to Kshs 433 million in the four months period to 30 April 2011 compared to Kshs 107 million in the same period in 2010. This attributed to the increased purchase of quoted shares, investments in government securities and unit trusts.

There was a net cash outflow of Kshs 200 million in the four months period to 30 April 2011 attributed to dividends paid in respect of the financial year 2010 in comparison to Kshs 120 million paid in the same period in the prior year.

As at 30 April 2011 the total cash and cash equivalents amounted to Kshs 845 million compared to Kshs 914 million at 31 December 2010 and Kshs 649 million at 30 April 2010.

2 Notes to the Income Statement, Balance Sheet and Statement of Cashflows

The notes comprising of key balances on the Income Statement, Balance Sheet and Cashflows are as follows:

2.1 Investment income

	30-Apr-11 Kshs'000	30- Apr-10 Kshs'000
Interest from government securities	88,500	88,552
Bank deposit interest	2,476	9,100
Other interest receivable	51,015	46,265
Rental income from investment properties	17,823	29,841
Fair value gains on investment properties	-	-
Dividends receivable from equity investments	351,671	190,475
Realised (loss)/ gains on government securities at fair value through profit or loss	(1,443)	(235)
Realised gains (losses) on quoted investments at fair value through profit or loss	2,431	-
Fair value gains/ (losses) on financial assets at fair value through profit or loss	(97,007)	1,531,421
Total	**415,466**	**1,895,419**

2.2 Investment property

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
At start of year	1,173,571	1,092,785
Additions	135	279,229
Disposal	-	(270,717)
Fair value gains	-	72,274
At period end/Year end	**1,173,706**	**1,173,571**

2.3 Investments at fair value through profit and loss

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
Investment at fair value through profit and loss		
- quoted ordinary shares	7,844,534	7,535,861
- unquoted ordinary shares	50,490	50,490
- Government securities	307,693	361,360
-Unit trusts	4,417,886	4,265,612
Total	**12,620,603**	**12,213,323**

2.4 Quoted Investments

a) Available for sale

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
At start of year	**5,979,690**	**3,282,105**
Additions	-	414,372
Disposal	(29,828)	(472,352)
Fair value gains	55,606	2,755,565
At period end/Year end	**6,005,468**	**5,979,690**

b) At fair value through profit and loss

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
At start of year	**7,535,861**	**4,608,842**
Additions	311,622	348,712
Disposal	(8,958)	(405,764)
Fair value gains	6,009	2,984,071
At period end/Year end	**7,844,534**	**7,535,861**

2.5 Unquoted Investments

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
At start of year	**50,490**	-
Additions	-	50,490
At end of period	**50,490**	**50,490**

2.6 Investments in Government securities

a) At fair value through profit and loss

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
Treasury bills and bonds movement		
- At start	361,360	523,561
- Additions	-	29,748
- Fair value gains	-	21,852
- Disposals and maturities	(53,667)	(213,801)
At period end/Year end	**307,693**	**361,360**

b) Investment held to maturity

	30-Apr-11 Kshs 000	31 - Dec-10 Kshs 000
At start of year	**2,109,214**	**1,573,543**
Additions	520,121	756,045
Maturities	-	(220,374)
At period end/Year end	**2,629,335**	**2,109,214**

2.7 Unit trusts

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
At start of year	4,265,612	2,122,003
Additions	267,958	1,441,964
Fair value gains	(115,684)	701,645
At period end/Year end	**4,417,886**	**4,265,612**

2.8 Other receivables

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000
Staff and agents loans	**114,410**	**103,877**
Prepayments	105,096	23,879
Other	313,195	266,477
Total	**532,701**	**394,233**

2.9 Other payables

	30-Apr-11 Kshs' 000	31-Dec-10 Kshs' 000
Accrued expenses	142,535	164,877
Premiums paid in advance and others	44,193	76,222
Other liabilities	264,816	177,309
Total	**451,544**	**418,408**

2.10 Bank loan

	30-Apr-11 Kshs' 000	3 -Dec-10 Kshs' 000
At 1 January	749,318	747,618
Repayment	-	(94,855)
Interest payable	28,266	96,555
At period end/Year end	**777,584**	**749,318**

2.11 Cash and cash equivalents

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

	30-Apr-11 Kshs' 000	31 - Dec-10 Kshs' 000	30-Apr-10 Kshs' 000
Cash and bank balances	403,123	415,376	203,305
Deposits with financial institutions	452,105	500,102	510,462
Bank overdraft	(9,803)	(1,360)	(64,277)
Total cash and cash equivalents	**845,425**	**914,118**	**649,490**

2.12 Cash generated from operations

The reconciliation of profit before tax to cash generated from operations is as follows:

	30-Apr-11 Kshs'000	31-Dec-10 Kshs'000	30- Apr-10 Kshs'000
Profit before tax	462,762	2,873,589	1,365,762
Adjustments for:			
Depreciation of leasehold improvements and equipment	17,036	48,784	15,503
Amortisation of intangible assets	3,847	20,640	6,364
Investment income	(415,466)	(4,684,634)	(1,895,419)
Changes in:			
Receivables arising out of direct insurance arrangements	(143,228)	35,480	(22,615)
Receivables arising out of reinsurance arrangements	(33,682)	44,009	8,033
Re-insurers' share of insurance liabilities	(31,588)	(187,937)	10,947
Increase in unearned premium reserves	85,631	148,372	(50,337)
Retirement benefit liability	-	(9,718)	-
Other payables	33,140	134,644	76,350
Receivables from related parties	2,591	30,364	29,694
Deferred acquisition costs	(6,790)	(20,520)	(8,417)
Other receivables	(144,153)	(229,055)	(114,418)
Increase in insurance contract liabilities	414,282	1,395,682	140,470
Actuarial liabilities under investment contract	98,918	1,542,114	601,532
Payable under deposit administration contracts	244,081	514,360	326,312
Creditors arising out of reinsurance arrangements	51,778	42,677	71,602
Cash generated from operations	**639,159**	**1,698,851**	**561,363**

2.13 Liquidity and maturity profile of financial assets and liabilities

The expected liquidity and maturity profile of the financial assets and the financial liabilities as at 30 April 2011 are as follows:

At 30 April 2011	0 – 4 months Kshs'000	5-12 months Kshs'000	1-5 years Kshs'000	Over 5 years Kshs'000	Total Kshs'000
Liabilities					
Insurance contract liabilities	749,408	1,239,555	3,555,415	1,216,102	6,760,480
Payable under deposit administration contracts	183,614	367,227	2,494	2,959,723	3,513,058
Liabilities under investment contracts	105,813	287,329	1,758,453	1,130,339	3,281,934
Creditors arising out of reinsurance arrangements	111,789	-	-	-	111,789
Retirement benefit liability	-	25,715	-	-	25,715
Other payables	244,860	83,224	123,460	-	451,544
Bank loan	-	777,733	-	-	777,733
Overdraft	9,803	-	-	-	9,803
Total financial liabilities (at contractual maturity dates other than insurance contract liabilities which are based on expected maturity dates)	**1,405,287**	**2,780,783**	**5,439,822**	**5,306,164**	**14,932,056**
Assets					
Available for sale quoted investments	6,005,468	-	-	-	6,005,468
Investments at fair value through profit and loss:					
- quoted investments	7,844,534	-	-	-	7,844,534
- un quoted investments	50,490	-	-	-	50,490
- government securities	51,848	199,553	56,292	-	307,693
- Unit trusts	574,699	52,843	806,927	2,983,417	4,417,886
Government securities held to maturity	51,766	317,581	2,259,988	-	2,629,335
Corporate bond	93	156,645	152,528	-	309,266
Mortgage loans	2,528	1,005	168,636	382,343	554,512
Loans to policyholders	13,456	40,615	209,516	411	263,998
Receivables arising out of reinsurance arrangements	43,763	-	-	-	43,763
Receivables arising out of direct insurance arrangements	-	304,505	-	-	304,505
Reinsurers' share of insurance liabilities	20,198	57,982	163,721	253,580	495,481
Loans and receivables from related parties	105	-	-	-	105
Current income tax receivable	5,709	-	-	-	5,709
Other receivables	202,740	230,103	93,806	6,052	532,701
Deposits with financial institutions	403,123	-	-	-	403,123
Cash and bank balances	452,105	-	-	-	452,105
Total financial assets (expected maturity dates)	**15,722,625**	**1,360,832**	**3,911,414**	**3,625,803**	**24,620,674**

Appendix 5: Authorised Selling Agents

British-American has appointed specific Authorised Selling Agents in connection with the Offer. These Authorised Selling Agents have signed agency agreements with British-American which contain various terms and conditions that each Authorised Selling Agent is required to comply with. The Authorised Selling Agents are Members of the NSE that are issued with annual licenses by the CMA. These Authorised Selling Agents in Kenya are listed below.

Table 51: Licensed Investment Banks in Kenya

Licensed Investment Banks	
African Alliance Ltd 1st Floor, Trans-national Plaza Mama Ngina Street P.O. Box 27639,00506 Nairobi Tel: 2762000/2762557 securities@africanalliance.co.ke	**NIC Capital Ltd** NIC House, Masaba Road P.O. Box 44599, 00100, Nairobi. Tel: 202888000 info@nic-capital.com
CFC Stanbic Financial Services CFC Stanbic House 2nd Floor, CFC Centre, Chiromo Road, P.O. Box 47198, 00100 Nairobi. Tel:3638900, cfcfs@cfcgroup.co.ke	**Renaissance Capital (Kenya) Ltd** 6th Floor, Purshottam Place, Chiromo Road P.O. Box 40560-00100 Nairobi. Tel : 3682000/3754422
Dyer & Blair Investment Bank Ltd 10th Floor, Loita House, Loita Street PO Box 45396, 00100, Nairobi. Tel: 3240000/2227803 shares@dyerandblair.com	**Standard Investment Bank Ltd** 16th floor, ICEA Building, Kenyatta Avenue P.O. Box 13714, 00100, Nairobi. Tel: 2228963/2228967 info@sib.co.ke
Faida Investment Bank 1st Floor, Windsor House, University Way P.O. Box 45236, 00100, Nairobi. Tel: 2243811-13 info@faidastocks.com	**Suntra Investment Bank Ltd** 10th Floor, Nation Centre, Kimathi Street P.O. Box 74016, 00200, Nairobi. Tel: 2870000 info@suntra.co.ke

Table 52: List of licensed Stockbrokers in Kenya

Licensed Stockbrokers	
ABC Capital Ltd 5th Floor, IPS Building, Kimathi Street P.O. Box 34137, 00100, Nairobi. Tel : 2246036/2245971 headoffice@abccapital.co.ke	**Kestrel Capital (E.A) Ltd** 5th Floor, ICEA Building, Kenyatta Avenue P.O. Box 40005, 00100, Nairobi. Tel: 2251758/2251893 info@kestrelcapital.com
Afrika Investment Bank Ltd 9th Floor, Finance House, Loita Street P.O. Box 11019, 00100, Nairobi. Tel: 2210178/2212989 info@afrikainvestmentbank.com	**Kingdom Securities Limited** 5th Floor Co-operative House, Haile Selassie Avenue P.O. Box 48231- 00100, Nairobi. Tel : 3276000 info@kingdomsecurities.co.ke
ApexAfrica Capital Limited 4th Floor, Rehani House, Koinange Street P.O. Box 43676, 00100, Nairobi. Tel: 2242170/2220517 invest@apexafrica.com	**NIC Securities Ltd** NIC House, Masaba Road P.O. Box 63046, 00200, Nairobi. Tel: 2016482/3 invest@nic-capital.com
Drummond Investment Bank Ltd 2nd Floor, Hughes Building, Kenyatta Avenue P.O. Box 45465, 00100, Nairobi. Tel: 318690/318689 Info@drummond.com	**Reliable Securities Limited** 6th Floor, IPS Building, Kimathi Street P.O. Box 50338, 00200, Nairobi. Tel:2241350/4/79 info@reliablesecurities.co.ke
Genghis Capital Ltd 5th Floor, Prudential Building, Wabera Street P.O. Box 1670-00100, Nairobi. Tel : 2337535/36 info@gencap.co.ke	**Sterling Investment Bank Ltd** 5th Floor, Barclays Plaza, Loita Street P.O. Box 45080, 00100, Nairobi. Tel: 315414/2244077 info@sterlingstocks.com

The list of Commercial Banks in Kenya (in alphabetical order) that have been appointed as the Authorised Selling Agents for this Share Offer are as follows:

Table 53: Commercial Banks in Kenya appointed as Authorised Selling Agents

Commercial Banks	
Barclays Bank of Kenya Ltd* Barclays Plaza, Loita Street P.O. Box 30120-00100 Nairobi Tel: +254 20 3267000/313364/2241270 Email: bbl.contact-centre@barclays.com	**CFC Stanbic Bank Limited** CFC Stanbic Centre, Westlands Road, Chiromo P.O. Box 72833 – 00200 Nairobi Tel: 3269000 Email: customercare@stanbic.com
Commercial Bank of Africa Limited Mara and Ragati Roads, Upper Hill P.O. Box 30437 00100 Nairobi Tel: +254 20 2884000/ 2734555 Fax: +254 20 2734616 Email: inqueries@cba.co.ke	**Consolidated Bank of Kenya Limited** Consolidated Bank House, Koinange Street P.O. Box 67124-00200, Nairobi Tel: +254 20 2222051/2220175 Fax: +254-020-340864 Email: koinange@consolidated-bank.com
Equity Bank Ltd* Equity Centre, Hospital Road PO Box 75104-00200 Nairobi Tel: +254-20 2262000/2263000 Email: info@equitybank.co.ke	**Family Bank** Fourways Tower, Muindi Mbingu Street, P.O. Box 74145 – 00200, Nairobi Tel: +254 20 318173/318940 Fax: +254 20 318174 Email: info@familybank.co.ke
National Bank of Kenya Limited* National Bank Building Harambee Avenue P.O. Box 72866 00200-City Square, Nairobi Tel: +254 20 2828000 Fax: +254 20-311444/222304 Email: info@nationalbank.co.ke	Standard Chartered Bank Kenya Limited* Chiromo, 48 Westlands Road P.O. Box 98683-80100, Nairobi Tel:+254 20 329300 Email: info@sc.com

**The banks are authorised Central Depository Agents*

Appendix 6: Form of Guarantee

LETTERHEAD OF COMMERCIAL BANK

Date:

The Group Managing Director

British-American Investments Company (Kenya) Limited

P O Box 30375-00100

Nairobi

Dear Sirs

BRITISH-AMERICAN INVESTMENT COMPANY (KENYA) LIMITED – IPO GUARANTEE IN RESPECT OF PAYMENT FOR ALLOCATION OF SHARES TO [name of INVESTOR]

WHEREAS [name of investor] ("the **Investor**") has by an application form dated [ ] applied for [ ] Offer Shares as set out in the Prospectus dated 29 June 2011 ("the **British-American Offer Prospectus**"). Capitalised terms used in this Guarantee shall have the meaning and interpretation given to such terms in the British-American Offer Prospectus.

AND WHEREAS it has been stipulated by you in the British-American Offer Prospectus that the Investor shall furnish you with an irrevocable on demand guarantee for the full value of the price of the Offer Shares.

AND WHEREAS we (**name of Guarantor**) have agreed to give this Guarantee:

NOW at the request of the Investor and in consideration of the Company agreeing to accept the investors Application Form on the terms set forth in Section 1.19 b) of the Prospectus and to permit payment by the Investor of the subscription price for such number of the Offer Shares applied for and in consideration of your allocating to the Investor the Offer Shares or such lesser number as you shall in your absolute discretion determine, we hereby irrevocably guarantee to pay you, forthwith upon your first written demand declaring the Investor to be in default and without delay or argument, such sum as may be demanded by you up to a maximum sum of Kenya Shillings ______________________________ without your needing to prove or to show grounds or reasons for your demand for the sum specified therein either by way of RTGS transfer to such bank account as shall be specified in your demand for payment (where the money payable is in excess of Kenya Shillings one million (Kshs.1,000,000) or banker's cheque payable to British-American Investments Company (Kenya) Limited.

This Guarantee will remain in force up to and including 5.00 p.m. on 8 September 2011 and any demand in respect thereof should reach us not later than the above date and time.

This Guarantee shall be governed and construed in accordance with the laws of Kenya.

[due execution by authorised signatories]

Appendix 7: Letter of Bank Undertaking

ON LETTERHEAD OF BANK/CUSTODIAN/QUALIFIED INSTITUTIONAL INVESTOR (QII)

The Group Managing Director
British-American Investments Company (Kenya) Limited
P O Box 30375
Nairobi-00100
Date:

Dear Sirs

UNDERTAKING IN RESPECT OF PAYMENT ON ALLOCATION OF SHARES TO [name of QII]

WHEREAS [name of investor] ("the **Investor**") have applied for [ ] ordinary shares ("the Shares") in British-American Investments Company (Kenya) Limited (the "Company") being offered by you for subscription as set out in the Prospectus dated 29 June 2011 (**"British-American Offer Prospectus"**). Capitalised terms used in this letter of undertaking shall have the meaning and interpretation given to such terms in the British-American Offer Prospectus.

NOW in consideration of the Company having agreed at our request to permit payment by us of the subscription price for such number of the Offer Shares which we have applied for and are allotted to us on the terms set forth in Section 1.19 b) v. of the Prospectus **AND** in consideration of you allotting to us the number of Shares we have applied for or such lesser number as you shall in your absolute discretion determine, **we hereby undertake** to pay you without cavil, forthwith upon your first written notice specifying how many of the Shares have been provisionally allotted to us, such sum not exceeding Kenya shillings … … … … … … ….corresponding to the subscription price of such number of the Shares as you shall have provisionally allotted to us inclusive of any CDS expenses and net of all bank charges.

Should such payment not be made within two business days following the deemed service of such notice then the Company shall be entitled without further notice to either: treat our application as having been repudiated and cancel the provisional allotment to us and re-allocate the provisionally allotted Shares on such terms and conditions as it shall think fit without prejudice to any rights to damages for such repudiation or; to allow us further time for payment on such terms and conditions as it shall think fit in which event we shall pay default interest on all sums outstanding at the rate of 15% per annum calculated on daily balances and compounded monthly.

Any notice to be served on us shall be in writing and shall be deemed to have been properly served on us if delivered by hand or sent by fax or email to us at address specified in our Application Form.

Any notice shall be deemed to have been received, if delivered by hand, at the time of delivery or, if sent by fax, on the completion of transmission or if by email receipt of a confirmed delivery notice.

This undertaking shall be governed and construed in accordance with the laws of Kenya and we irrevocably submit to the non exclusive jurisdiction of the Courts of Kenya. If we are not a Kenyan Company and in addition to any other permitted means of service, we hereby irrevocably appoint the Authorised Selling Agent submitting our Application for Offer Shares as our agent for the receipt of any legal process.

IN WITNESS WHEREOF THIS LETTER OF UNDERTAKING HAS BEEN EXECUTED BY US THIS _________ DAY OF ________________ 2011.

Signed By:

1) Name ______________________________________ Signature________________________

Title ______________________________________

2) Name ______________________________________ Signature________________________

Title ______________________________________

Note: Qualified Institutional Investors are Fund Managers, Authorized Depositories and Investment Banks licensed under the Capital Markets Act and Insurance Companies who manage life funds and licensed by the Insurance Regulatory Authority.

Appendix 8: Share Application Form

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED (Company)

(Incorporated in Kenya on 26 July 1995 under the Companies Act (Cap 486) original Registration Number C66029)

INITIAL PUBLIC OFFER OF SHARES

In respect of an offer for subscription of up to 650,000,000 Ordinary Shares of par value Kshs 0.10/= in British-American Investments Company (Kenya) Limited (Company) at a price of Kshs. 9/= each ('the Offer Shares').

Offer Opens at 9.00am on 12th July 2011 and Closes at 3.00 pm on 5th August 2011

Applicants will be bound by the Terms and Conditions of application for the Offer Shares contained in Section 1.19 of the Prospectus dated 29th June 2011 issued by the Company as well at the instructions for completion of the Application Form set out herein. Applicants are therefore required to read the Prospectus before making an application.

The Board of Directors of the Company reserves the right to accept or reject any application, in whole or in part, particularly if the instructions that are set out in the Prospectus and below are not complied with.

APPLICANT'S STATEMENT

By signing the Application Form overleaf, I /we the Applicant(s) herein state that:-

- I/ We have read the Terms and Conditions of Application as set out in Section 1.19 of the Prospectus and agree to be bound by its contents.
- I/ We are over 18 years of age.
- I/ We agree to accept the number of Offer Shares applied for in this Application or any smaller number of Offer Shares as may be allocated by the Directors, subject to and in accordance with the Terms and Conditions of Application contained in the Prospectus.
- I/We authorize the Company to enter my/our name in the register of Shareholders of the Company as holder(s) of Offer Shares issued to me/us subject to the Articles of Association of the Company.
- I/We authorize the Company to issue the Offer Shares allocated to me/us, any refunds due upon receipt of the Application Form or after the Closing Date on any over subscription of Offer Shares or otherwise as specified in this Application Form and in accordance with the Terms and Conditions of Application contained in the Prospectus.
- In consideration of your agreeing to accept this Application, I/we agree that this Application shall be irrevocable and shall upon your acceptance constitute a contract which shall be binding upon dispatch by post or delivery of this Application Form to the Authorised Selling Agent to whom the Application is delivered.
- I/We represent and warrant that, except in cases where I am/we are licensed to apply for and hold shares for other persons or hold shares as trustee , I/we apply for the Offer Shares on my/our account, will be the beneficial owner of the Offer Shares, have not represented myself/ourselves as a different person in any other application or applied for the Offer Shares under a different name, and I am/ we are not applying for the Offer Shares on the instructions of any other person and I/We have not instructed any other person to apply for the Offer Shares as my/our nominees.
- Where I am/we are licensed to apply for the Offer Shares on behalf of other persons or as trustee, I/we represent and warrant that I am/we are not making multiple applications for myself/ourselves or any other person, I am/we are not applying as nominee or trustee of any person whom I/we know to have applied under any other name, through any other nominee or for a beneficial owner more than once.
- I/we acknowledge that the Company and/or the processing Agents reserve the right to reject any Application found to be in contravention of these declarations
- I/we confirm that all information provided by me/us on the Application Form is true and that we have read and understood the GENERAL GUIDELINES FOR THE COMPLETION OF THIS APPLICATION FORM provided at the back of this application form.

Authorized Selling Agents

Standard Investment Bank Ltd, Kestrel Capital Ltd, NIC Capital Ltd, NIC Securities Ltd, Dyer and Blair Investment Bank Ltd, Renaissance Capital (Kenya) Ltd, Faida Investment Bank Ltd, African Alliance Ltd, Afrika Investment Bank Ltd, Apex Africa Capital Limited, Kingdom Securities Ltd, CFC Stanbic Financial Services, ABC Capital Ltd, Drummond Investment Bank Ltd, Genghis Capital Ltd, Reliable Securities Ltd, Sterling Investment Bank Ltd and Suntra Investment Bank Ltd.

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED IPO

A: APPLICANT POOL (Tick as applicable)

Applicant Type: ☐ Qualifying Institutional Investors ☐ East African Retail Investors ☐ Employee/Agents/Individual Life Policy Holders ☐ Foreign Investors

Residence: ☐ Resident ☐ Non Resident **Citizenship:** ☐ Kenyan ☐ East African ☐ Foreigner

Please credit shares a) ☐ To my CDS Account **OR** b) ☐ Issue certificate and send via Authorised Selling Agent **OR** ☐ Post certificate

Tax Status ☐ Not Tax Exempt ☐ Tax Exempt (please attach a certified copy of the Tax Exemption Certificate)

B: CDS ACCOUNT NUMBER:

CDA ID

Client Account Number (Discard the leading zeros)

Client Type

C: (i) PRIMARY APPLICANT DETAILS: (Names as per National ID/Passport)

Surname (Last Name)

First Name and Other Names

Passport Number/ID Number/Alien ID

Country of Issue

(ii) JOINT APPLICANT DETAILS: (Names as per National ID/Passport)

Surname (Last Name)

First Name and Other Names

Passport Number/ID Number/Alien ID

Country of Issue

(iii) CORPORATE/INSTITUTIONS DETAILS: (Names as per Certificate of Registration/Incorporation)

Name

Registration/ Incorporation No.

Country of Registration/Incorporation

For Nominee Applicants Only:

Account Name/Number

D: SHARES APPLIED FOR

No. of shares in multiples of 100

Multiplied by **KShs 9/=**

Add CDSC Mailing Levy of **KShs. 30** if your shares will be deposited into your CDS account

Total Amount now payable

KShs.

British American
With you every step of the way

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED IPO

E: PAYMENT DETAILS (Please tick only one method as appropriate)

☐ **Authorised Selling Agent/Stockbroker's cheque (GPS)-** *make cheque payable to your Authorised Selling Agent / Stockbroker who will pay for your application on your behalf*

☐ **Bankers Cheque/RTGS /EFT (Please provide details)**

Name of Bank (abbreviated)

Name of Branch

Bank code

Cheque No./RTGS/ EFT Ref No.

Amount of Cheque/RTGS/ EFT

☐ **Tick if your Application is financed**

CDSC 5 Securities Pledge Form Serial No.

☐ **Tick if your Application is Guaranteed (IBG)**

Guarantee Reference No.

F: FULL MAILING ADDRESS AND CONTACT DETAILS FOR ALL APPLICANTS

P.O. Box

Postal Code

Street

City/Town

Telephone Number

Fax Number

Email Address

G: REFUND / DIVIDEND PAYMENT: *(Refunds will be remitted via EFT to bank account details provided below)*

Please send my dividend by ☐ EFT ☐ Cheque to my mailing address above

Name of Bank (abbreviated)

Bank Code

Swift Code

Name of Branch e.g. Barclays Plaza

Account number

Account Name

Currency

☐ Please tick if you would like this information to be updated to your CDS

H: SIGNATURES:

Signature 1

Signature 2

Company Seal

Date (DD/MM/YYYY)

I: FOR OFFICIAL USE ONLY

Authorised Selling Agent Stamp

tear off

Authorised Selling Agent Stamp	This Acknowledgement Receipt is evidence of an application released to the selected Authorised Selling Agent. It should be kept secure and must be produced when making an enquiry regarding the application. This receipt is NOT evidence of an application received by the Receiving Agent. Thank you for investing in the British American IPO. Refunds, Certificates and credits to CDSC, where applicable, will be available from 26 August 2011 and the shares will be listed on the NSE on 2 September 2011.	Form Serial No:__________ Shares Applied For: __________ CDS A/c No.__________ CDA ID: __________

GENERAL GUIDELINES FOR THE COMPLETION OF THIS APPLICATION FORM

1. Please use an original Application Form only, photocopies will not be accepted.
2. Please complete the Application Form in legible capital letters with only black or blue ink. Your application is made exclusively on the basis of the Terms and Conditions of Application set out in section 1.19 of the Prospectus. Please read these carefully.
3. Your Application Form must be received in its entirety, duly signed and accompanied with payment by way of Authorised Selling Agent/Stockbroker cheque, Bankers cheque or RTGS confirmation. In the case of Qualified Institutional Investors, Application Forms may be accompanied by a duly executed and valid on demand bank guarantee from a licensed commercial bank as is specified in Section 1.19 of the Terms and Conditions of Application so that it is received no later than 5th August 2011 ('the Closing Date').
4. Any alteration to the Application Form (other than deletion of alternatives) must be authenticated by the full signature of the Applicants or the Authorized Selling Agent receiving the Application.
5. The completed Application Form may be sent or hand delivered to any of the Authorized Selling Agent to be received by the Closing Date.
6. Payments made directly to British American Investments Company (Kenya) Ltd must be by way of Bankers Cheques for amounts of less than Kshs. 1 Million and must be payable in favour of 'British American IPO' and crossed 'Account Payee' only. The applicant's Name, National ID/Passport Number, Telephone, Application Form Serial number and signature MUST be appended at the back of the cheque. Amounts in excess of Kshs. 1 million must be paid via RTGS to either of the accounts set out below and the confirmation receipt must be attached to the Application Form;

A.	Bank : Equity Bank Limited	B.	Bank: Standard Chartered Bank Kenya Limited
	A/c Name: British American IPO		A/c Name : British American IPO
	A/c No.: 0180297461766		A/c No.: 0106020676200
	Swift Code : EQBLKENA		Swift Code : SCBLKENXXXX
	Branch: Community Corporate Branch		Branch: Kenyatta Avenue Branch

7. Applications will only be considered to be complete when the relevant banker's or Authorized Selling Agents/Stockbrokers cheques have been honored or the RTGS payment received in cleared funds (net of any applicable bank charges) into the payee account or are accompanied by Guarantees or Undertakings (as may be applicable in accordance with the provisions of Section 1.19(b) (i) and (v) of the Prospectus) .
8. Applications may only be submitted via the Authorized Selling Agents listed in the Prospectus.
9. Applications by Corporate Investors must be signed by two Directors or one Director and the Company Secretary and the company seal must be affixed in the space provided.
10. Applicants who choose to have their Offer Share issued to their CDS Account must pay an additional Kshs. 30 (as CDS postage fee) to the total Offer Price.
11. Applicants who opt to receive Share Certificates by postal mail do so at their own risk of loss or damage of the certificate. .
12. Applicants being financed against a charge on their allocated Offer Shares will attract a pledge fee of an additional Kshs.1,000 payable to CDSC Limited in cash or in the form of a Bankers cheque made payable to CDSC Limited. All such remittances should be provided to the Applicants Authorized Selling Agent who shall forward the same to CDSC Limited on the Applicants behalf.
13. All Applicants are required to provide a copy of their PIN and ID and Certificate of incorporation in support of their Applications. The Company reserves the right to call for documents or other evidence in proof of a person's authority to sign the Application form in a representative capacity.
14. Applicants must indicate their tax status as provided for under Section A of the Application Form and where exempted from tax, the applicants must attach a certified true copy of the Tax Exemption Certificate.
15. No receipts will be provided in respect of any direct payments made to British-American IPO A/c.
16. Please note that incomplete and/or missing bank account details may result in the Application Form being rejected with no further liability to the Applicant.
17. Refunds will only be made by EFT if the Applicant has provided complete and correct bank account details in the Application Form. In the event that the Application Form contains incorrect bank details, any refunds will be made payable by cheque in the bank account name provided in the Application Form.

18. Any refunds by cheque for the reasons set out in para 17 above shall be forwarded to the Authorised Selling Agent indicated on the Application Form and the Applicant shall, upon being notified of the refund having been made, be responsible for collecting the same from such Authorised Selling Agent.
19. Any refund cheques posted to the Applicant shall be at the Applicants sole risk of loss or damage and accordingly all Applicants are requested to carefully check the bank details provided in the Application Form for completeness and accuracy.
20. Applications may also be rejected in accordance with the rejections policy set out in Section 1.19 of the Prospectus.

This form, when completed, together with payment, as provided in the Prospectus, should be submitted to any branch of the Authorised Selling Agent as laid out in Appendix 5 of the Prospectus to ensure that the application reaches the offices of the Receiving Agents by 3.00 pm on 5 August 2011.

DO'S	DONT'S
1) Fill out the Application Form in Blue or Black biro. 2) Use Capital letters when filling out the Application Form. 3) Write within the areas provided within the checkboxes. 4) Omit the zeros at the beginning of the CDS account number. 5) On the back of the banker's cheque indicate your names, ID number, mobile. Number, serial number of the Application Form and sign accordingly.	1) DON'T fill the Application Form in any other colour except Black or Blue. 2) DON'T use small/ lower case letters when filling out this Form. 3) DON'T write outside the areas provided (outside the checkboxes). 4) DON'T use a pencil/felt tip/fountain pen when filling out this Form. 5) Do NOT include zeros at the beginning of the CDS account numbers.

Appendix 9: British-American branches

British-American has a total of 14 branches excluding the head office branch.

HOME OFFICE Britak Centre Mara/Ragati Road Junction Upper Hill P.O. Box 30375-00100 Nairobi Tel: (020)2833000/2710927 Fax: (020)2717626/2714927 E-mail: british-american@british-american.co.ke Website: www.british-american.co.ke	NAIROBI 1 Mr. George Kimondo Branch Manager Ambank House, 10th Floor, University Way P.O. Box 46942-00100 Nairobi Tel: (020)2226998/2223287 Fax: (020)2224691 E-mail: nairobi1@british-american.co.ke
EMBU Mr. Bernard Mwanzia Branch Manager Consolidated Bank Building, Kenyatta Highway P.O. Box 1668-60100 Embu Tel: (068) 31839/31458 Fax: (068) 31864 E-mail: embu@british-american.co.ke	NAIROBI 4 Mr. Timothy Rintari Branch Manager Timau Plaza, Arwings Kodhek Road P.O. Box 21428-00505 Nairobi Tel: (020) 3860453/4/9 Fax: (020) 3860452 E-mail: nairobi4@british-american.co.ke
NAIROBI 5 Ms Njeri Njomo Branch Manager Ambank House, 19th Floor, University Way P.O. Box 46942-00100 Nairobi Tel: (020) 2741030 Fax: (020)2741012 E-mail: nairobi5@british- american.co.ke	NAIROBI 3 Mr. Joseph Waithaka Branch Manager Phoenix House, Kenyatta Avenue P.O. Box 20664-00200 Nairobi Tel: (020)2224153/2224312 Fax: (020)2217071 E-mail: nairobi3@british-american.co.ke
WESTLANDS Mr. George Karanja Branch Manager Soin Arcade, Westlands P.O. Box 20480-00200 Nairobi Tel: (020) 3744393/3750730 Fax: (020) 3743628 E-mail: westlands@british-american.co.ke	MOMBASA Mr. Charles Muriithi Branch Manager Biashara Bank Building, Nyerere Avenue P.O. Box 90213-80100 Mombasa Tel: (041) 22228602/2220321 Fax: 041 2223558 E-mail: mombasa@british-american.co.ke
NAKURU Ms. Jacqueline Kitinga Branch Manager CK Patel Building, Kenyatta Avenue P.O. Box 304-20100 Nakuru Tel:(051) 2212200 Fax: (051) 2217260 E-mail: nakuru@british-american.co.ke mailto:	KISUMU Mr. Evans Musunzar Branch Manager Jubilee House, Oginga Odinga Road/Ang'awa Avenue P.O. Box 1111-40100 Kisumu Tel: (057) 2024981 Fax: (057) 2024547 E-mail: kisumu@british-american.co.ke
NYERI Mr. James Githaiga Branch Manager Co-operative Bank Building, Kenyatta Road P.O. Box 16-10100 Nyeri Tel: (061) 2032154 Fax: (061)2032764 E-mail: nyeri@british-american.co.ke	ELDORET Mr. David Maizs Branch Manager Imperial Court Building, Nairobi Road P.O.Box 1117-30100 Eldoret Tel: (053) 2030770 Fax: (053)2062914 E-mail: eldoret@british-american.co.ke

KISII Mr. George Magomere Branch Manager Uhuru Plaza, Kisii/Kisumu Road P.O. Box 252-40200 Kisii Tel: (058) 30555 Fax: (058) 30488 E-mail: kisii@british-american.co.ke	THIKA Mr. Milton Wambugu Branch Manager Thika Arcade, Kenyatta Avenue P.O. Box 1487-01000, Thika Tel: (067) 21866/22768 Fax: (067) 22794 E-mail: thika@british-american.co.ke
MERU Mr. Richard Wanyiri Branch Manager Cooperative Bank House, Kenyatta Highway P.O. Box 1224-60200 Meru Tel: (064) 32434 Fax: (064) 31312 E-mail: meru@british-american.co.ke	

Appendix 10:List of Receiving Banks Branches

Appendix 10.1: List of Equity Bank Branches

Branch code	Branch Name	Town	Branch code	Branch name	Town	Branch code	Branch name	Town
0	Head Office	Nairobi	38	Mwea	Mwea	77	Gilgil	Gilgil
1	Corporate	Nairobi	39	Matuu	Matuu	78	Busia	Busia
2	Fourways	Nairobi	40	Maua	Maua	79	Voi	Voi
3	Kangema	Kangema	41	Isiolo	Isiolo	80	Enterprise Road	Nairobi
4	Karatina	Karatina	42	Kagio	Kagio	81	Equity Centre	Nairobi
5	Kiria-ini	Kiria-ini	43	Gikomba	Nairobi	82	Donholm	Nairobi
6	Murarandia	Kahuro	44	Ukunda	Ukunda	83	Mukurwe-ini	Mukurwe-ini
7	Kangari	Kangari	45	Malindi	Malindi	84	Eastleigh	Nairobi
8	Othaya	Othaya	46	Mombasa Digo Rd	Mombasa	85	Namanga	Namanga
9	Thika – Commerce House	Thika	47	Moi Avenue	Nairobi	86	Kajiado	Kajiado
10	Kerugoya	Kerugoya	48	Bungoma	Bungoma	87	Ruiru	Ruiru
11	Nyeri	Nyeri	49	Kapsabet	Kapsabet	88	OTC	Nairobi
12	Tom Mboya	Nairobi	50	Kakamega	Kakamega	89	Kenol	Kenol
13	Nakuru Gatehouse	Nakuru	51	Kisii	Kisii	90	Tala	Tala
14	Meru	Meru	52	Nyamira	Nyamira	91	Ngara	Nairobi
15	Mama Ngina	Nairobi	53	Litein	Litein	92	Nandi Hills	Nandi Hills
16	Nyahururu	Nyahururu	55	Westlands	Nairobi	93	Githunguri	Githunguri
17	Community	Nairobi	56	Industrial Area, Kenpipe Plaza	Nairobi	94	Tea Room	Nairobi
18	Community Corporate	Nairobi	57	Kikuyu	Kikuyu	95	Buru Buru	Nairobi
19	Embu	Embu	58	Garissa	Garissa	96	Mbale	Mbale Town
20	Naivasha	Naivasha	59	Mwingi	Mwingi	97	Siaya	Siaya
21	Chuka	Chuka	60	Machakos	Machakos	98	Homa Bay	Homa Bay
22	Muranga	Muranga	61	Ongata Rongai	Rongai	99	Lodwar	Lodwar
23	Molo	Molo	62	Ol-Kalou	Ol-Kalou	100	Mandera	Mandera
24	Harambee	Nairobi	63	Kawangware	Nairobi	102	Moyale	Moyale
25	Mombasa Moi Avenue	Mombasa	64	Kiambu	Kiambu	101	Marsabit	Marsabit
26	Kimathi	Nairobi	65	Kayole	Nairobi	103	Wajir	Wajir
27	Nanyuki	Nanyuki	66	Gatundu	Gatundu	104	Meru Makutano	Meru
28	Kericho	Kericho	67	Wote	Wote	105	Malaba	Malaba Town
29	Kisumu	Kisumu	68	Mumias	Mumias	106	Kilifi	Kilifi
30	Eldoret	Eldoret	69	Limuru	Limuru	107	Kapenguria	Kapenguria

31	Nakuru Kenyatta Avenue	Nakuru	70	Kitengela	Kitengela	108	Mombasa Road	Nairobi
32	Kariobangi	Nairobi	71	Githurai	Nairobi	109	Eldoret Market	Eldoret
33	Kitale	Kitale	72	Kitui	Kitui	110	Maralal	Maralal
34	Thika Kenyatta Highway	Thika	73	Ngong	Ngong	111	Kimende	Kimende
35	Knut Hse	Nairobi	74	Loitoktok	Loitoktok	112	Luanda	Luanda
36	Narok	Narok	75	Bondo	Bondo		Kenyatta University	Nairobi
37	Nkubu	Nkubu	76	Mbita Point	Mbita		Oloitoktok	Oloitoktok

Appendix 10.2: List of Standard Chartered Bank Kenya Limited Branches

Branch code	Branch Name	Town	Branch code	Branch name	Town	Branch code	Branch name	Town
00	Eldoret	Eldoret	12	Thika	Thika	65	Kabarnet	Kabarnet
01	Kericho	Kericho	15	Westlands	Westlands	71	Yaya Centre	Nairobi
02	Kisumu	Kisumu	16	Machakos	Machakos	72	Ruaraka	Nairobi
03	Kitale	Kitale	17	Meru	Meru	73	Langata	Nairobi
04	Treasury square	Nairobi	19	Harambee Avenue	Nairobi	74	Makupa	Makupa
05	Maritime	Mombasa	20	Kiambu	Kiambu	75	Karen	Nairobi
06	Kenyatta Avenue	Nairobi	53	Industrial Area	Nairobi	76	Muthaiga	Nairobi
08	Moi Avenue	Nairobi	54	Kakamega	Kakamega	78	All Branches	
09	Nakuru	Nakuru	60	Malindi	Malindi	79	Ukay	Nairobi
10	Nanyuki	Nanyuki	61	Gatundu	Gatundu	80	Eastleigh	Nairobi
11	Nyeri	Nyeri	64	Koinange Street	Nairobi	81	Kisii	Kisii

List of Post Bank Branches for use by Standard Chartered Bank Kenya Limited

Branch Name	Town	Branch name	Town	Branch name	Town
Head Office Branch	Nairobi	Mariakani	Kilifi	Keroka	Kisii
Wabera Street	Nairobi	Mtwapa	Kilifi	Kisumu	Kisumu
Market Street	Nairobi	Malindi	Malindi	Sare Awendo	Kisumu
Afya Centre	Nairobi	Watamu	Malindi	Suna Migori	Migori
Kenyatta Market	Nairobi	Mombasa	Mombasa	Siaya	Siaya
Tom Mboya	Nairobi	Cannon House	Mombasa	Luanda	Suba
Ronald Ngala	Nairobi	Mombasa	Mombasa	Kabarnet	Baringo
Dandora	Nairobi	Chaani	Mombasa	Kapsabet	Baringo
Enterprise Road	Nairobi	Kisauni	Mombasa	Bomet	Bomet
Viwandani	Nairobi	Likoni	Mombasa	Kajiado	Kajiado
Nacico	Nairobi	Ukunda	Mombasa	Ongata Rongai	Kajiado
Githurai	Nairobi	Taveta	Mombasa	Ngong Hills	Kajiado
Karen	Nairobi	Voi	Mombasa	Kericho	Kericho
Jogoo Road	Nairobi	Embu	Embu	Nanyuki	Laikipia East
Eastleigh	Nairobi	Isiolo	Isiolo	Nyahururu	Laikipia East
Ngara	Nairobi	Kitui	Kitui	Gilgil	Nakuru
Westlands	Nairobi	Matuu	Kitui	Molo	Nakuru
Nyeri	Nyeri	Machakos	Machakos	Naivasha	Nakuru
Karatina	Nyeri	Athi River	Machakos	Nakuru	Nakuru
Kerugoya	Kirinyaga	Mlolongo	Machakos	Nandi Hills	Nakuru
Wanguru (Mwea)	Kirinyaga	Kangundo	Machakos	Narok	Narok North
Muranga	Murang'a	Emali	Machakos	Kitale	Trans-Nzoia
Ruiru	Thika	Kibwezi	Makueni	Eldoret	Uasin Gishu
Thika	Thika	Makueni	Makueni	Bungoma	Bungoma
Kiambu	Kiambu	Meru	Meru	Webuye	Bungoma
Uthiru	Kiambu	Maua	Meru North	Busia	Busia
Kikuyu	Kiambu	Chuka	Meru South	Kakamega	Kakamega
Limuru	Kiambu	Mwingi	Mwingi	Mumias	Mumias
Karuri	Kiambu	Homa Bay	Homa Bay		
Kilifi	Kilifi	Kisii	Kisii		

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