BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

PEOPLE. TECHNOLOGY. PURPOSE.

2019 Integrated Annual Report

Bifm Botswana Life LEGAL GUARD BIC BOTSWANA INSURANCE COMPANY

The Fourth Industrial Revolution

The world is in the throes of what is popularly referred to as the "Fourth Industrial Revolution" (4IR). The advent of the technology-driven 4IR is changing our everyday lives, our needs and our expectations of the businesses that serve us. More and more, people are becoming tech-savvy and today's businesses must reinvent their products and digitise their service offerings to meet the demands of the 4IR in order to remain relevant and sustain their profitability and growth.

The financial services sector is at the forefront of this revolution with technology transforming businesses, jobs, processes and markets. For example, within the insurance industry, Artificial Intelligence (AI) and machine learning (ML) algorithms can now handle insurance claims, produce financial performance reports, manage investment portfolios with speed, accuracy and at a fraction of the current costs. AI and deep learning along with big data is also changing underwriting and pricing models, rapidly making pay-as-you-use insurance and self-service platforms the new "normal."

While this will clearly impact our traditional distribution channels, we also need to be mindful that the lines and livelihoods of our customer are also fundamentally changing. We have to be able to develop products and services that will be relevant in this new and unfamiliar world.

The BIHL Group has recognised the urgent need to have a systematic, cohesive and consistent innovation capability. That will enable it to respond to these challenges, to transform current business processes, products and offerings, and also address gaps and move closer to the new and savvy customer of today and tomorrow.

The current Group Corporate Strategy recognises 'Innovation and Agility' as a key Corporate Value one that will guide and drive our innovative thinking and implementation of new ideas, solutions, products and services creatively, quickly, efficiently and effectively.

The development of a digital transformation strategy that dovetails with the Corporate Strategy is already underway.

Spearheading the transformation agenda is a newly established Innovation and Transformation office. The Group has made a significant investment in the establishment of this office, equipping it with the requisite skills, processes, equipment and tools. In March 2020, the BIHL Board also agreed there will be a 10% allocation of our annual capex budget of the Group's operating profits annually to drive the innovation and transformation agenda forward. This capability will enable the Group and its Subsidiaries to remain ahead of the transformation curve.

Corporate Information

BIHL GROUP
BOTSWANA INSURANCE HOLDINGS LIMITED

ADMINISTRATION

Botswana Insurance Holdings Limited Incorporated in Botswana Company Registration Number BW00000798601

Registered Office
Plot 66458
PO Box 336,
Gaborone, Botswana
Fairgrounds Office Park
www.bihl.co.bw
Tel: +267 370 7400
Fax: +267 397 3705

Transfer Secretaries
PricewaterhouseCoopers (Pty) Limited
Plot 50371
Fairgrounds Office Park
PO Box 294
Gaborone, Botswana

Auditors
Ernst & Young
2nd Floor, 22 Khama Crescent
PO Box 41015
Gaborone, Botswana

Company Secretary
Haig Ndzinge

Statutory Actuary
Edwin Splinter

Group Bankers
Barclays Bank of Botswana Ltd
(Now Absa Bank Botswana Ltd)
First National Bank Botswana Ltd
Stanbic Bank Botswana Ltd
Standard Chartered Bank Botswana Ltd
Bank Gaborone Ltd
First Capital Bank Botswana Ltd
Bank of Baroda (Botswana) Ltd

Botswana Life Insurance Limited
Block A: Fairgrounds Office Park
Private Bag 00296
Gaborone, Botswana
Tel: +267 3645100
Fax: +267 3906386
www.botswanalife.co.bw

Botswana Insurance Fund Management Limited
Block A: Fairgrounds Office Park
Private Bag BR 185
Gaborone, Botswana
Tel: +267 3951 564
Fax: +267 3900 358
www.bifm.co.bw

BIHL Insurance Company Limited (Legal Guard)
Block D: Fairgrounds Office Park
PO Box 405744
Gaborone, Botswana
Tel: +267 363 4700
Fax: +267 390 7353
www.legalguard.co.bw

"The potential of 4IR to transform sectors, economies and the veritable way of working cannot be over-emphasised."

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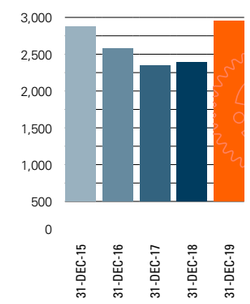
Results at a glance

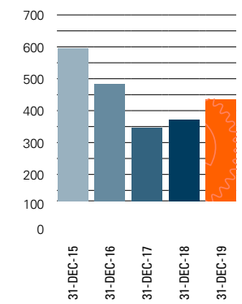
	2019 P million	2018 P million	% Change
Group Summary			
Premium income (net of reinsurance)	2,598	2,349	11%
Value of new business	158	147	7%
Operating profit	376	375	0%
Total profit	440	371	19%
Assets under management	29,200	27,500	6%
Ordinary shareholders' equity	2,939	2,819	3%
Total assets	16,494	15,811	4%
Embedded value	4,652	4,419	5%
Productivity			
Operating expenses to premium income and asset management fees	12%	13%	
Selling expenses to premium income	15%	13%	
Return on embedded value	13%	14%	
Solvency and Liquidity			
Capital adequacy cover (times)- Life business	7.10	4.70	
Dividend cover on core earnings** (times)	1.17	0.95	
Ordinary Share Performance			
Basic earnings thebe per share	158	135	17%
Diluted earnings thebe per share	157	135	17%
Dividend thebe per share - interim	44	60	-27%
- final proposed - Normal	59	67	-12%
- final proposed - Special	11	16	-31%
Embedded value thebe per share	1,647	1,565	5%
Trading prices (thebe per share)			
closing price	1,750	1,750	0%
high	1,750	1,854	-6%
low	1,750	1,746	0%
Price earnings ratio	11.11	14	-21%
Domestic Companies Index (DCI)	7,495	7,852	-5%
Number of shares in issue ('000)	282,371	282,371	0%
Number of shares traded ('000)	10,245	4,160	146%
Market capitalisation (P million)	4,941	4,941	0%
Number of share owners	2,643	2,697	-2%
Earnings yield (%)	9.00%	7.49	20%
Dividend yield (%)	9.36%	7.02	33%

** Core earnings include operating surplus and shareholder investment income

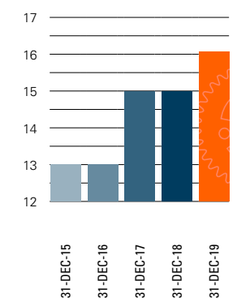
Premium Income (P million)



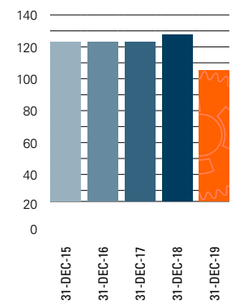
Profit After Tax (P million)



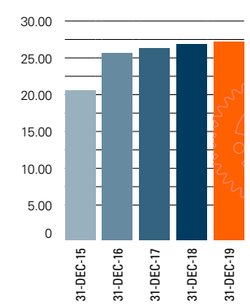
Investments (P billion)



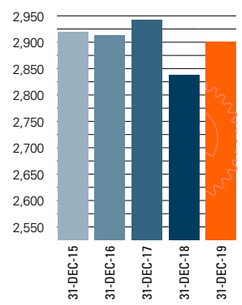
Dividends Per Share (thebe)



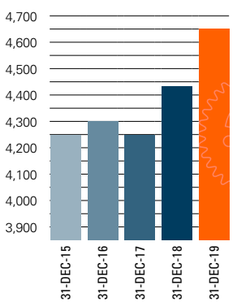
Assets Under Management (P million)



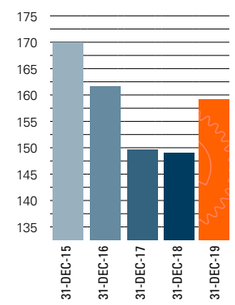
Shareholders' Equity (P million)



Embedded Value (P million)



Value of New Business (P million)



Operating Profit
Remained flat
at P376 million

Embedded Value
+5%
to P4.65 billion

Assets Under Management
+6%
to P29.2 billion

Value of New Business
+8%
to P158 million

Ten Year Review

	Year to 31-Dec-19 P'000	Year to 31-Dec-18 P'000	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000
Group consolidated income statement										
				Restated	Restated		Restated			
Net insurance premium income	2,597,852	2,349,017	2,320,046	2,074,927	2,487,265	1,986,683	1,878,026	1,949,585	1,767,046	1,620,513
- Recurring	1,457,448	1,304,936	1,219,367	1,085,051	1,078,940	990,724	914,650	887,972	877,636	754,096
- Single	1,140,404	1,044,081	1,100,679	989,876	1,408,325	1,015,595	963,376	1,061,613	889,410	866,417
Fee revenue	98,414	107,021	103,075	91,176	88,447	110,915	98,039	74,700	110,944	137,249
Fair value gains on investment properties	-	-	-	-	-	-	-	-		-
Investment income	171,594	142,698	658,193	752,120	684,327	972,569	594,856	628,915	749,577	470,190
Interest income using EIR	11,165	11,065	-	-	-	-	-	-	-	-
Other interest income	797,600	615,050	-	-	-	-	-	-	-	-
(Loss)/Profit on sale of subsidiary	3,472	-	12,993	-	-	(15,878)	-	6,075	33,785	-
Net gains/(losses) from financial assets held at fair value through profit and loss and investment properties	55,998	(50,762)	(55,241)	(840,093)	1,095,286	(161,013)	2,343,127	452,917	134,323	(180,785)
Total Revenue	3,736,095	3,174,089	3,039,066	2,078,130	4,355,325	2,893,276	4,914,048	3,112,192	2,795,675	2,047,167
Net insurance and investment contract benefits and claims	(2,622,131)	(2,145,572)	(2,027,157)	(1,104,613)	(3,173,993)	(1,944,801)	(3,995,068)	(2,314,707)	(1,935,869)	(1,182,594)
Policyholder benefits paid	(1,614,748)	(1,487,101)	(1,374,527)	(1,533,219)	(1,297,284)	(1,192,395)	(1,054,527)	(904,175)	(907,175)	(712,524)
Change in liabilities under investment contracts	(421,258)	(191,599)	(64,932)	676,641	(674,663)	(205,052)	(1,719,987)	(383,646)	(400,986)	(132,674)
Change in liabilities under insurance contracts	(586,125)	(466,872)	(587,698)	(248,035)	(1,201,036)	(547,354)	(1,220,554)	(1,026,885)	(627,646)	(337,396)
Expenses	(719,005)	(619,231)	(660,458)	(622,819)	(647,127)	(575,135)	(524,857)	(508,636)	(465,265)	(534,852)
Selling expenses	(397,221)	(310,895)	(336,295)	(312,255)	(323,517)	(258,899)	(244,410)	(219,165)	(219,687)	(297,649)
Administration expenses	(316,700)	(308,336)	(324,163)	(310,564)	(323,610)	(316,236)	(280,447)	(289,471)	(245,578)	(237,203)
Finance cost on leases (IFRS 16)	(1,110)	-	-	-	-	-	-	-	-	-
Impairment losses	(3,974)	-	-	-	-	-	-	-	-	-
Profit before share of profit of associates and joint venture	394,959	409,286	351,451	350,698	534,215	373,340	394,123	288,850	394,541	329,721
Share of profit of Associates and joint venture	142,233	52,871	72,927	224,671	186,728	253,619	189,202	196,482	133,872	72,217
Profit Before Tax from continuing operations	537,192	462,157	424,378	575,369	720,943	629,958	583,325	485,332	528,413	401,938
Tax expense	(98,919)	(95,694)	(76,092)	(100,581)	(123,942)	(107,495)	(84,621)	(90,936)	(57,083)	(69,456)
Profit from continuing operations	438,273	366,463	348,286	474,788	597,001	519,463	498,704	394,396	471,330	332,482
Discontinued operations										
Profit/(loss) for the year from discountinued operations	2,191	4,069	1,041	524	-	(14,750)	(3,931)	-	-	-
Profit on sale of short-term insurance business	-	-	-	-	-	932	-	-	-	-
Profit for the year	440,464	370,532	349,327	475,312	597,001	505,645	494,773	394,396	471,329	332,482
Earnings per share (thebe)										
- basic	158	133	126	173	214	183	183	146	174	122
Earnings per share (thebe) for continuing operations	157	133	125	171	211	188	182	146	174	122
Gross dividends per share (thebe)	114	143	157	122	142	87	50	35	66	66
Weighted average number of shares in issue ('000)	274,533	274,945	277,919	277,178	273,310	273,046	269,779	268,110	265,812	263,979

Ten Year Review (Continued)

	Year to 31-Dec-19 P'000	Year to 31-Dec-18 P'000	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000
Group consolidated statement of financial position										
Property and equipment	154,562	155,320	155,350	156,006	155,504	20,138	20,827	10,911	12,561	15,854
Intangible assets	104,226	99,454	92,273	100,357	122,708	122,410	150,898	154,001	146,735	140,782
Right-of-use assets	20,767	-	-	-	-	-	-	-	-	-
Investments	15,749,698	15,041,233	14,789,197	13,016,580	12,786,414	13,852,451	13,033,188	14,281,694	11,111,149	10,428,159
Loans at amortised cost	50,000	50,000	-	-	-	-	-	-	-	-
Trade and other recievables	252,291	304,585	295,667	204,225	220,964	201,522	282,154	209,722	209,360	206,991
Non-current assets held for sale	-	47,688	54,222	94,396	-	-	-	-	-	-
Cash deposits and similar securities	162,095	112,844	184,254	819,280	1,055,086	658,468	580,675	760,539	1,248,601	1,376,229
Total Assets	16,493,639	15,811,124	15,570,963	14,390,844	14,340,676	14,854,989	14,067,742	15,416,867	12,728,406	12,168,015
Ordinary shareholders' equity	2,939,253	2,818,565	2,941,557	2,916,515	2,912,607	2,686,067	2,405,401	1,944,961	1,690,795	1,374,259
Non-controlling interest	23,597	22,008	16,823	20,583	18,474	18,569	34,912	33,651	36,050	31,588
Policyholder liabilities	10,444,102	12,521,188	12,218,341	10,956,497	10,933,114	11,641,698	11,123,239	12,966,213	10,587,046	10,311,402
- insurance contracts	10,444,102	9,859,345	9,388,540	8,800,323	8,555,332	7,350,937	6,809,709	5,592,069	4,573,613	3,957,129
- investment contracts	-	2,661,843	2,829,801	2,156,174	2,377,782	4,290,761	4,313,530	7,374,144	6,013,433	6,354,273
External investors in consolidated funds	2,667,763	-	-	-	-	-	-	-	-	-
Deferred tax liability	22,161	13,695	9,702	17,620	18,360	33,209	23,790	17,939	12,726	19,050
Derivatives instrument	5,810	-	-	-	-	-	-	-	-	-
Liabilities classified as held for sale	-	21,795	15,682	-	-	-	-	-	-	-
Lease liability	21,431	-	-	-	-	-	-	-	-	-
Trade and other payables	353,753	413,873	368,858	479,629	448,121	475,446	480,400	454,103	401,789	431,716
Total Equity and Liabilities	16,493,639	15,811,124	15,570,963	14,390,844	14,340,676	14,854,989	14,067,742	15,416,867	12,728,406	12,168,015
Group statement of cash flows										
Cash generated from/ (utilised in) operating activities	732,578	557,053	1,206,418	1,168,158	(1,435,637)	290,693	(4,427,312)	1,785,568	(85,378)	937,655
Interest received	133,179	97,323	88,360	69,051	121,145	428,115	453,692	329,165	425,096	45,503
Tax paid	(98,139)	(84,464)	(90,934)	(115,657)	(139,786)	(54,004)	(94,206)	(106,695)	(69,253)	(59,179)
Dividends (paid)/received	(370,862)	(186,543)	(155,985)	(135,949)	(96,348)	(21,786)	96,202	13,790	65,353	(205,307)
Cash flow from operating activities	577,440	383,369	1,047,859	958,603	(1,550,626)	643,018	(3,971,624)	2,021,828	335,818	718,672
Cashflow (utilised in)/from investing activities	(524,213)	(454,779)	(1,682,885)	(1,221,409)	1,947,245	(565,225)	3,791,760	(2,509,890)	(463,446)	(757,432)
Net cash flows (utilised in)/generated from financing activities	(3,976)	-	-	-	-					
Net increase/(decrease) in cash and cash equivalents	49,251	(71,410)	(635,026)	(235,806)	396,618	77,793	(179,864)	(488,062)	(127,628)	(38,760)
Cash and cash equivalents at the beginning of the year	112,844	184,254	819,280	1,055,086	658,468	580,675	760,539	1,248,601	1,376,229	1,414,989
Cash and cash equivalents at the end of the year	162,095	112,844	184,254	819,280	1,055,086	658,468	580,675	760,539	1,248,601	1,376,229

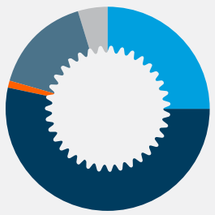
It is the success of our strategy of Growth and Profitability that has ensured that the Group remains well-positioned in terms of capital management and solvency.

- Mrs. Batsho Dambe - Groth, the BIHL Group Chairman

Value Added Statement

	Year to 31 December 2019	Year to 31 December 2018
VALUE ADDED		
Income from operations	2,873,136	2,572,558
Operating expenditure	(719,005)	(619,231)
Policyholder benefits paid	(1,614,748)	(1,487,101)
	539,383	466,226
VALUE DISTRIBUTED		
To employees		
Salaries, wages and other benefits	143,760	148,704
To ordinary shareholders		
Dividends - Normal	290,842	358,611
- Special	31,061	45,179
	321,903	403,790
To minority shareholders	3,553	(144)
To Government		
Taxation	98,919	95,694
To expansion and growth		
Reinvested in the business for future growth	(52,800)	(191,685)
Amortisation	6,862	7,563
Depreciation	8,720	6,297
Deferred taxation	8,466	(3,993)
	(28,751)	(181,818)
	826,672	824,981
Summary		
Employees	27%	32%
Shareholders	60%	87%
Minority shareholders	1%	-
Government	18%	20%
Retained for expansion and growth	-5%	-39%
	100%	100%

Value Added Distribution 31 Dec 2019



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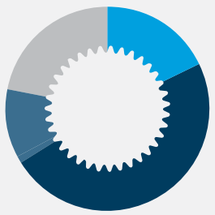
Value Added Distribution 31 Dec 2018



Employees	32%
Shareholders	87%
Government	20%
Retained for expansion and growth	-39%

Share Analysis - Ordinary Shareholders

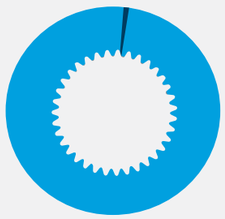
	Shareholders		Shares held	
	Number of holders	% of holders	Shares held	% of issued shares
1 - 5,000	2,091	79.11%	1,987,090	0.7%
5,001 - 10,000	61	2.31%	13,283,445	4.7%
10,001 - 50,000	236	8.93%	4,888,878	1.7%
50,001 - 1 00,000	15	0.57%	9,435,749	3.3%
100,001 - 500,000	40	1.51%	2,926,824	1.0%
500,001 - 1,000,000	183	6.92%	1,217,705	0.4%
OVER 1,000,000	17	0.65%	248,630,961	88.2%
Total	**2,643**	**100%**	**282,370,652**	**100%**

Top ten shareholders

SCBN (PTY) LTD SANLAM EMERGING MARKETS:BW0000016225	116,388,211	41.22%
AFRICAN LIFE ASSURANCE COMPANY (BOTSWANA) (PTY) LTD	48,603,380	17.21%
BOTSWANA PUBLIC OFFICERS PENSION FUND	16,491,586	5.84%
BOTSWANA PUBLIC OFFICERS PENSION FUND	11,133,493	3.94%
MOTOR VEHICLE ACCIDENT FUND	10,763,529	3.81%
BOTSWANA PUBLIC OFFICERS PENSION FUND	9,616,155	3.41%
BOTSWANA PUBLIC OFFICERS PENSION FUND	7,822,815	2.77%
BOTSWANA PUBLIC OFFICERS PENSION FUND	6,808,862	2.41%
FNB NOMS BW (PTY) LTD RE: BPOPF EQUITY PORTFOLIO C	4,501,071	1.59%
STANBIC NOMINEES BOTSWANA RE BIFM PLEF	3,289,025	1.16%
Others	46,952,525	16.64%
	282,370,652	**100%**

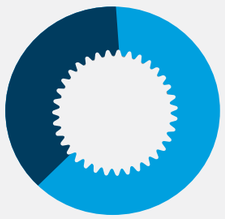
	Shareholders		Shares held	
Category	**Number**	**%**	**Number**	**%**
Non-public	8	0.03%	166,325,855	58.90%
Public	2,635	99.70%	116,044,797	41.10%
	2,643	**100.00%**	**282,370,652**	**100.00%**

Shareholders Categories 2019



Non-Public	0.30%
Public	99.70%

Shares Held by Category 2019



Non-public	58.90%
Public	41.10%

The BIHL Group at a Glance

VISION

To be the leading client-centric, broad based financial services Group in markets we choose to operate in.

These phases of growth have been described by three themes:

01 Collaborate for growth;

02 Optimise for efficiency and innovate; and

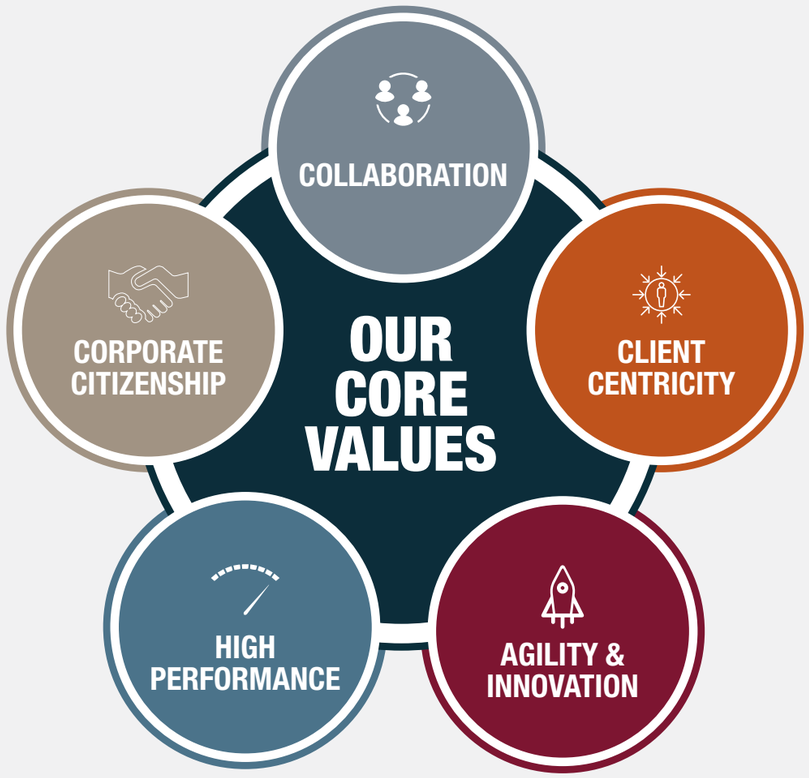
03 Consolidate.

We will collaborate for innovative growth, optimise our efficiency, and provide the right financial solutions to individual and institutional clients. These solutions include insurance, investment, and employee benefits.

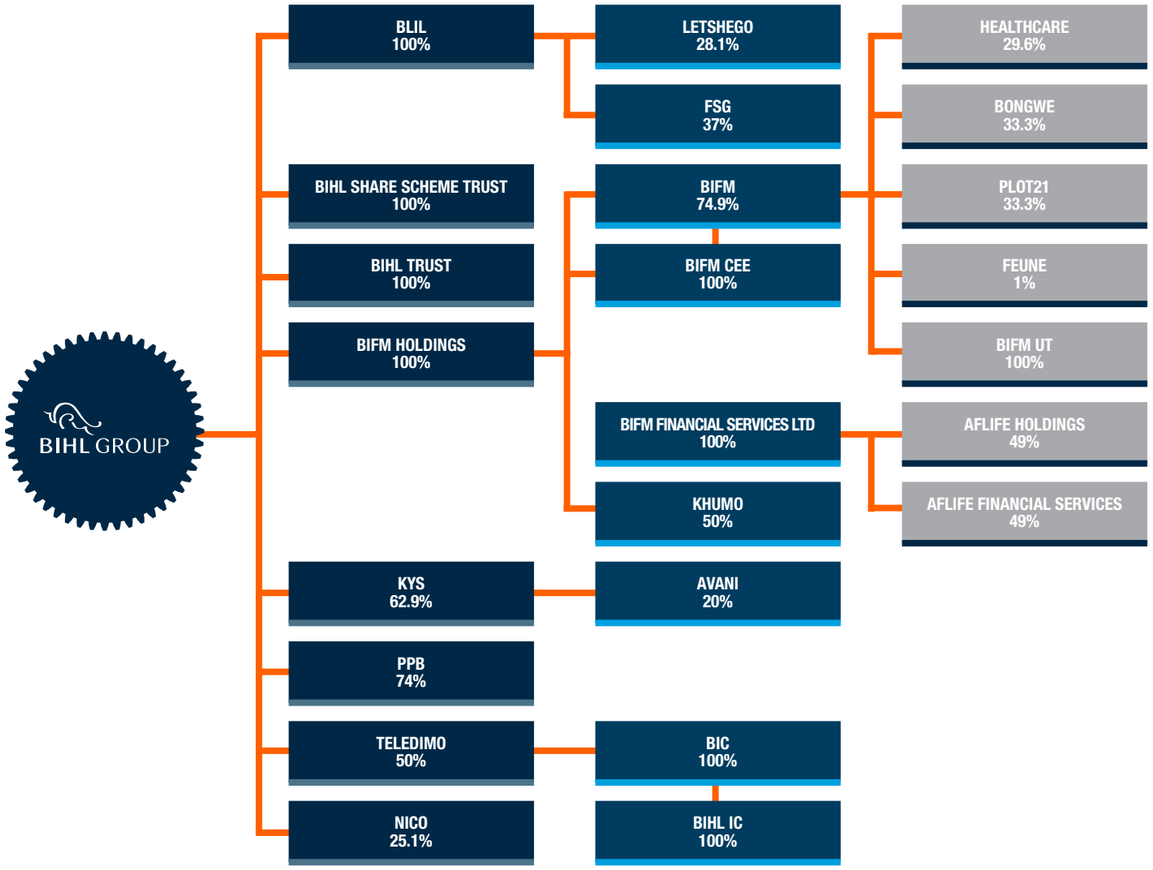
MISSION

We Engineer Legacies for our clients and deliver exceptional growth for our shareholders through service excellence in wealth and insurance management.

VALUES



Structure



BIHL Core Businesses

LIFE INSURANCE | ASSET MANAGEMENT | SHORT-TERM INSURANCE | OTHER SERVICES

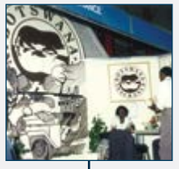
Group Brands

BIHL GROUP · Bifm · Botswana Life · LEGAL GUARD · BIC BOTSWANA INSURANCE COMPANY

Our History

1975

Legislation passed to establish a Central Bank, with the framework to govern financial institutions that will fall under its supervision.



1981

Botswana Insurance Company starts development of the country's first major residential estate, Tapologo Estates, on behalf of its life and pension funds.

1987

The Insurance Industry Act of Botswana is promulgated, regulating all aspects of insurance in Botswana and requiring separate legal entities for the underwriting of long- and short-term insurance businesses.

1991

Exchange control liberalised, permitting diversification of investments offshore. Botswana Insurance Company is restructured to separate its general insurance business and life insurance business. The Botswana Insurance Holdings Limited (BIHL) Group, which consists of Botswana Life Insurance Limited and Botswana General Insurance Limited, is the result.

1993

The BIHL Group continues in its tradition of achieving momentous milestones, which are practical, innovative and that help advance Botswana's development. In 1993, the BIHL Group acquires control of IGI Botswana Holdings Limited, which is delisted and restructured into the BIHL Group. The business continues to handle short-term and long-term insurance.That same year, the young bull proves its strength, as the BIHL Group shares rise to P0.32 - a 46.5% increase on the listing price.

1995

African Life Assurance Company Limited acquires a major shareholding in the BIHL Group from Southern Life and Botswana Development Corporation.The acquisition marked a key moment in the BIHL Group narrative, as the trajectory of growth becomes ever more apparent.

1999

In conjunction with Botswana Accountancy College (BAC), Botswana Life launches insurance courses at the College with the company's initial funding of the project matched by Government. Botswana Life also funds 15 of the first 25 students to register for the certificate course. The initiative marked a key moment in the Company's long term commitment to empowering Batswana through greater access to and opportunity for advancing their education.

2003

From the start, HIV and AIDS was made a very important component to the outlook that the BIHL Group took when engaging with communities. The BIHL Group and all its subsidiaries took bold steps to turning the tide on this pandemic. The youth was and remains a key audience in preventing the spread of HIV/AIDS. Without any doubt, the BIHL Group can proudly be counted as among the most active in communication and sharing the messages around prevention.

2004

In this year, Bifm unveils its new corporate identity and a definitive positioning statement, "Dynamic Wealth Management." It is a positioning that firmly marks Bifm's objective of becoming an innovative, leading asset management firm, whilst leveraging its position as the oldest Asset Management business in the country, and the wealth of heritage brings this.

2006

Continuing in its drive towards attaining greater market share and serving as the leading life insurance provider in the market, Botswana Life enhances its product offering.The business launches three new products - Mmoloki, Motlhokomedi and a Mortgage Protector Plan.

2007

The BIHL Board approves establishment of a community development trust to address its Corporate Social Investment obligations.

2008

Bifm's first PPP project – the building housing the Office of the Ombudsman and the Lands Tribunal at the Main Mall, popularly known as Plot 21 – was handed over to the Ministry of Public Works on time and within budget.

2009

Near the New CBD of Gaborone is a major landmark and the pride of Southern Africa – the new SADC Headquarters. Bifm once more kept its promises by delivering this property on time and within budget.

Our History (Continued)

2010

Ground breaking of yet another project, Rail Park Mall in Gaborone, this time with Botswana Railways. In addition, construction of the Airport Junction Shopping Centre, also in Gaborone, commenced.

2012

The BIHL Group refreshed Corporate Identity is launched.
BLIL sponsored Afcon football.
Inaugural BIHL Trust Thomas Tlou recipients get scholarships.
Bifm Capital sale completed.
BIHL Sure! by the BIHL Group launched.

2013

Bifm and BIHL Sure! launched new websites in the 2013 financial year.

2014

Botswana Life launched a refreshed brand identity, retaining the bull as the essence of the brand.

2015

The BIHL Group in November 2015 commemorated 40 years of doing business in Botswana, for Batswana and with Batswana. The BIHL Group welcomed stakeholders from near and far for a glittering anniversary gala dinner. Guest of Honour, the President of the Republic of Botswana, His Excellency Mokgweetsi Masisi, commended the Group on its 40-year milestone and the continued sustainable impact that comes from its work. Across the Group, BIHL continues to play a vital part in the development of Botswana's economy and the growth of her people. Over that past 40 years, the BIHL Group has come to symbolise strength and security. The brand and its subsidiary companies are leaders in their respective fields, despite the uncertain economic outlook and growing competition. It has been a long and beautiful journey and one the BIHL Group continues to celebrate with the many people who have played a role in this story. The BIHL Group acquired a 25.1% stake in NICO Holdings Malawi.

2016

The BIHL Group acquires a 50% indirect stake in Botswana Insurance Company (BIC).

The transaction results in the BIHL Group acquiring 50% of the shares in BIC through the purchase of shares in Teledimo (Pty) Ltd (BIC's parent company). The equity acquisition by BIHL Group will allow BIHL and BIC to leverage collective expertise and resources. This is on the back of BIHL Group's 40-year heritage of serving Batswana, and BIC's reputation as an industry leader in its space, which also spans 40 years. The resulting benefit is enhanced services and development of increasingly competitive products to benefit customers.

2017

Botswana Life launched its new life cover product, Poelo Whole of Life, aimed at benefiting members with a lifetime cover, inclusive of a 120% premium payback after 15 years.

"We pride ourselves in staying ahead of the curve, and we do so by continuously meeting the needs of our customers. It is in light of this, that we have tailored a product that is covering affordable and innovative, as well as covers members and their spouses for their entire lives," a former Botswana Life CEO, stated.

The Poelo Whole of Life is the first product of its kind in the Botswana insurance market. The unique product also extends the benefit of covering a spouse or partner and offers the choice to be covered in a strong currency such as the US Dollar. With Poelo Whole of Life, members can enjoy a premium payback and financial peace of mind knowing that they are covered for the rest of their lives.

2018

A major highlight of the year was the bringing to fruition of the Bifm Citizen Share Scheme, which has resulted in 25.1% of the company now being owned by citizens from within the company.

2018

The BIHL Group hosted the inaugural Global Financial Summit in Gaborone, themed 'Navigating the challenges and opportunities in financial services in Emerging Markets,' to great success.

The Botswana Life Insurance Limited Board appoints Ronald J. Samuels as Botswana Life's new Chief Executive Officer.

The BIHL Group #AppForChange competition, held in association with Botswana Innovation Hub, awards P50,000.00 prize money to the winning team, Power Circle Group (PCG) to develop and deliver the Mobile App solution for the BIHL Group

2019

BIHL Trust launched the #AppForChange competition Botswana Life launched Masika Otlhe funeral plan. BIC launched their new Corporate Identity and tagline, "Make Life Better"

Strategy Update

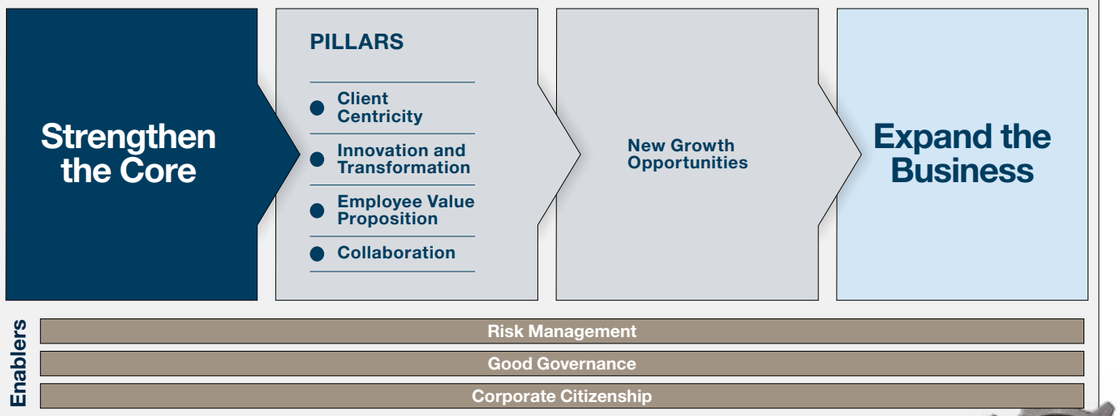
Premised on extensive analysis of the BIHL Group's macro and micro outlook, the 2019 - 2023 Strategy positions the Group for a strong, viable future.

As a resilient broad based financial services organisation that has been operating since 1975 in an era of changing consumer preferences and intensified competitive pressure, the BIHL Strategy is focused on achieving client centricity, revenue growth and delivering shareholder value while retaining our competitive position.

As the only integrated financial services provider in Botswana, BIHL continues to create value for its stakeholders through leveraging Group synergies. This has contributed to the Group's ongoing financial stability. Future growth opportunities exist both in optimised insurance and asset management penetration as well as with growth by expansion into other services and markets.

The BIHL portfolio is therefore continuously reviewed in order to ensure sustained business advantage.

Diversification Strategy - 2019 to 2023



Strategic activity during the year was based on strengthening the Group's core and focusing on expanding the business through the protection and consolidation of its existing offer and businesses, coupled with new growth areas.

Overall, the Group maintained relative market strength in 2019 within a challenging operating environment. Competition from all segments intensified resulting in increased customer choices. Growing price wars persisted in the corporate business rates arena. The year also included regulatory changes such as the promulgation of the Insurance Industry Act with more stringent Know-Your-Customer (KYC) and Anti-Money Laundering (AML) requirements being enforced with the ultimate goal of protecting the client. The Group was able to manage risks associated with compliance despite the large number of clients in our portfolio.

Key Strategic Achievements during 2019.

Our diversification strategy continues to yield results, with the financial results reflecting a 51% contribution from Subsidiaries and 49% from Associates.

Strengthening the Core

- **Intensified collaborative Group business development activity resulted in over P100 million new business inflows.**

- **All Subsidiaries introduced new products in response to client needs. This is aligned to our values and mission to remain a client centric Group**

  - BLIL: Masika Otlhe Funeral Plan (September)
  - Legal Guard product revamp (January)
  - FSG product revamp (August)

- **Distribution effectiveness improvements, including revised incentives and greater emphasis on developing the necessary skills to better service our potential and current clients**

- **Employee Value Proposition – BIHL is committed to developing employee skills for today and the future**

  - New Performance Management System for Subsidiaries (March)
  - Employee Value Proposition rollout commenced, including culture-building Values rollout
  - Talent management development progress to ensure adequate technical training, leadership capabilities, and a strong succession bench being developed in partnership with some of the leading business schools in the region.

- **Innovation and Transformation office set up in the business to increase the Group's ability to win through client-centric ideas generation.**

Expanding the Business

- **M&A investigations pursued during the year**

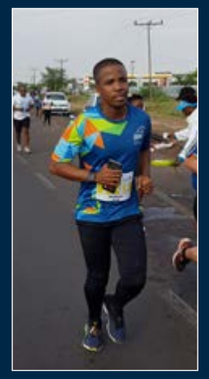
  - The comprehensive appraisal of a potential complementary business was concluded during the year; however, the parties involved did not reach consensus.
  - Advanced negotiations were conducted with another entity
  - Sale of Legal Guard to BIC

The BIHL Group in Action

Bifm Goes out Running

As is the norm, Bifm took out to pound the pavements again in 2019, participating in the Gabs ½ Marathon, Lady Khama Run21, Gaborone Diacore Marathon, Botswana Life Classic Run and the Airport Junction Marathon. The team came out in numbers, which included both stakeholders and staff, clothed in their running tops with the famous 'Invest in Your Wellbeing' slogan, which has become synonymous with the Bifm Brand. While the weather on race day could have tempted one to stay indoors from the blazing heat or cold and windy conditions, the experience was always worth every minute spent on the road, the sweat, tears and the excitement of having to run together as one; pushing each other to the finish line.

Bifm has also made it a point to have a water station at these events to push brand awareness and show off our lively cheerleading team.



Bifm Benchmark Symposium

As part of Bifm's commitment to empowering key stakeholders, we had the pleasure of hosting the Bifm Benchmark Symposium 2019. Enabling us the opportunity to provide access to invaluable information and experts that specialise in certain areas. Attending this event were various stakeholders from the different pension fund clients, administrators and asset consultants.

The theme for the symposium was 'Enhancing Financial Resilience', which captured our intent and obligation to contribute towards Botswana's retirement fund industry by providing insights intended to empower all stakeholders to improve financial outcomes of retirement fund members.

Content covered at the symposium included findings from a survey done by Sanlam on the concept of financial resilience through the lens of retirement funding. This was done with the hope that it will ignite conversations, create meaningful opportunities for further engagement and ultimately help effect a positive financial outcome.

Bifm Traditional Music Expo

Bifm relishes in celebrating the richness of Setswana culture through song, dance and poetry at the annual Bifm Traditional Music Expo. It is through this event that Bifm gets to support local artists by giving them exposure to make their art known to the world.

This support of local performing artists is paired with an appreciation of our local cuisine delicacies. This year's iteration featured the new and upcoming group, Khoi San, who serenaded the audience with their melodic music, including their popular hit 'Sananapo', which had the crowd reeling with excitement.

Other artists in the line-up included Dikakapa, Ramozara, Dr. Vom, Mafitlhakgosi Traditional Dance Group. Mafitlhakgosi is known for sharing their knowledge on traditional instruments, drama and traditional dance.

The evening ended with the showstopper, Charma Gal, who charmed the audience with her stellar performance.

Bifm Unit Trusts Flash Mob

The Bifm Unit Trusts team took to the streets of Gaborone with a series of flash mob appearances at various locations in December 2019. The aim of the initiative was not only to usher in the festive season in an exciting way, but also to create conversation about the Bifm brand, thus making it better known to Batswana.

The flash mob was spotted at the Gaborone Bus Rank, Airport Junction Mall, Fairgrounds Office Park and Gaborone Main Mall. The spontaneous dance routine captured a good audience and had people guessing where and when the next performance would be. Spectators also had an opportunity to walk away with exciting gift hampers.

The BIHL Group in Action (Continued)

Inter-Insurance Games

- BIC Wins Big!

Botswana Insurance Company (BIC) participated in the Inter Insurance Games which were held at the Bank of Botswana grounds in Gaborone. The Games comprised insurance organisations coming together in the spirit of team building. BIC staff won some of the games and brought prizes and a trophy home.

Botswana Life Classic Run

BIC participated in the 26th instalment of the Botswana Life Classic Run National Half Marathon. The Insurer demonstrated a commitment to continue to play its part in promoting health and wellness and encouraging Batswana to live an active lifestyle.

BIC Media Engagement Party 2019

As a token of appreciation to the media, BIC hosted members of the media fraternity to thank them for their continued support throughout the year. Newton Jazire, CEO of BIC, expressed his gratitude to the media for their commitment to raising awareness within the public surrounding insurance related matters.

Horse Riding

BIC was thrilled to support SATIB - as their third largest broker - at their 2019 Jolly Christmas Show. The event included activities such as target shooting, horseshoe pitching and show jumping, which the BIC team participated in.

Tourism Bonanza

The Tourism Bonanza Show is an exhibition and a business marketplace for the travel, hospitality and tourism industry sector to promote their various business to the local consumer market. To express their support to the tourism industry, BIC sponsored an exhibition stand at the 2019 Tourism Bonanza Show.

Annual Stiletto Walk - "Walking a mile in those shoes"

October is Breast Cancer Awareness Month, and a time to acknowledge the courageous battles of those who have fought breast cancer, celebrate those who have survived and remember those who lost their battle. In partnership with AON, BIC was a prominent sponsor and participated in the Annual Stiletto Walk to express support to those affected by breast cancer.

Mokolodi Cycling Challenge

The annual cycling event, Mokolodi Scorpion Cycle Challenge, received a P60,000 sponsorship from BIC. BIC is a strong advocate of good health and developing the community.

Breast Cancer Awareness

Breast cancer is by far the most common cancer in women worldwide, both in developed and developing countries. The Cancer Association of Botswana (CAB) joined the BIC team to increase attention and support for the awareness, early detection treatment as well as palliative care of this disease.

The BIHL Group in Action (Continued)

Brokers and Agencies Forum

Botswana Life CEO, Ronald Samuels, hosted Brokers, Agencies and Financial Advisors for a 1 day session where, together with his Executive team, they unpacked the 2019-2023 Strategy and charted a way forward.

This forum was also a celebration of the longstanding partnerships between Botswana Life, Brokers and Agencies that trails decades and supported our journey to be Botswana's leading insurer through fully servicing and ensuring financial inclusion and security for all Batswana.

Media engagement

The Botswana Life PR, Comms and Marketing team hosted a tyre burning session for their media partners at the Maverik Karting tracks. This event saw the media houses and the PR, Comms and Marketing team randomly placed in groups that would later go head to head for the coveted 'Karting Champion.'

The purpose of the event was to appreciate the media as the mouth piece of society for all their efforts to ensure that Batswana continuously receive clear and concise information as well as to solidify longstanding relationships.

Life and More Brand Campaign Launch

After a hiatus of 6 months, in June 2019, we saw the birth of 'Life & More' blossom, and what a marvel it was.

Life & More will be what we package the end user consumption of all that is Botswana Life for the next 2 years in what we do as a business; we cherish the hard work that went into the production, from campaign conceptualisation, approval, onboarding of creative companies and finally, LIGHTS, CAMERA ACTION!!!!

Our Community is the core of our ecosystem. We must and will always play our part to help us all move forward.

The BIHL Group CEO

CEO's Media Engagement

Botswana Life CEO, Ronald Samuels, hosted the media fraternity to a golf session at Blue Tree World of Golf.

The purpose of the engagement was to strengthen the relationship between the business and media partners, giving them an exclusive opportunity to engage with the man at the helm of the business. Showing off their skills, guests were treated to a private coaching session by professional trainers.

Orapa Diamond Golf Challenge

In our continued pursuit to uplift communities across Botswana, the BIHL Group was named the Orapa Diamond Golf Challenge (ODGC) 'Diamond Sponsor.' The ODGC is an annual golfing event first introduced in 2018 and was in 2019 sponsored by the BIHL Group and Subsidiaries – Botswana Life, Bifm and Legal Guard – to the tune of P301,00.00.

Botswana Life Classic Run National Half Marathon

The 26th edition of the annual Botswana Life Classic Run National Half Marathon took place on Sunday 9th September 2019, at Botswana Life Head Office in Fairgrounds Office Park. The much-loved event attracted more than 1,100 marathon enthusiasts, with Botswana Life CEO, Ronald Samuels, at the starting line to send off the runners.

The Marathon has seen growth through the years and has been given the status of National Half Marathon from 2020 onwards.

2.

Leadership Reports

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Group Chairman's Report

The BIHL Group's results for the year ended 31 December 2019, as outlined in this Annual Report, provide clear confirmation of our ability to perform well in challenging times. They also give the assurance that our Strategy has positioned us to ensure that our forward momentum as Botswana's leading financial services Group can be maintained in the face of the uncertainties before us all.

When reading this Annual Report, it is important to bear in mind the macroeconomic climate in which the Group operates. Every business, whether global or local, is impacted by events over which it has no control. The best we can do is try to identify potential risks and develop strategies to mitigate them as best as possible.

As I write this Report in early 2020, just as the extent of the social and economic impact of the global COVID-19 pandemic is starting to emerge, it is sometimes difficult to remember that sentiment in the first quarter of 2019 was largely positive.

Operating profit
Remained flat
at P376 million

Embedded Value
+5%
to P4.65 billion

Mrs. Batsho Dambe-Groth
The BIHL Group Chairman

Group Chairman's Report (Continued)

As the year 2019 progressed, there was a decrease in global industrial production which slowed global growth momentum. This resulted in increased market volatility which was exacerbated by escalating trade tension between the US and China and rising geopolitical tensions in other regions. All this contributed to dampened investor sentiment and an overall unstable market for much of the year.

Things seemed to have turned around towards the end of the 2019 year; there appeared to be an improvement in investor sentiment fuelled by the prospect of a US-China trade deal and stronger economic data globally. World-wide, Central Banks were adopting a more accommodative monetary position.

Botswana was not immune to the global economic instability and uncertainties that prevailed for most of 2019. Lower international demand for diamonds, reflected in lower diamond output in 2019, was largely responsible for Botswana's annual GDP growth slowing from 4.1% in Q1 to 3.1% in Q3.

The good news was that inflation, at 2.2% in the final quarter, came in below Bank of Botswana's target range and the Bank Rate was maintained at 4.75%. However, the overall performance of the Botswana Stock Exchange (DCI) was poor, falling 4.6% and 3.6% in Pula and Dollar terms respectively over the review period.

Of greater concern, I believe, was Botswana's decline in the World Bank's Doing Business Report. Although the country only lost one place to 87th in the 2020 report, we should not forget that in 2005 we were ranked 19th. This downward trajectory is something we, as a Nation, simply cannot afford. We urgently need to take action to enhance the business environment with policy reforms that are more accommodative for business.

The Econsult Q4 2019 Report indicates that the election of a more business-friendly Government, the October 2019 elections, and a general expectation of new structural and economic reforms, have boosted investor sentiment. However, there was already a widespread feeling of anti-climax towards the end of the year after the long period of excitement in the build-up to the National elections in Botswana. This indicates that the expected business and economic reforms must be instituted as a matter of urgency if the small window of opportunity the election brought is not to be wasted.

All these events, both locally and internationally, impacted on the performances of businesses across Botswana as a whole, including that of the BIHL Group.

That said, the value of steps taken over the years by the Group to fulfil its Vision to become a broad-based financial services company were more apparent than ever in the review period. As you will see in other sections of this Annual Report, the Associate companies were able to largely compensate for the challenges experienced by our two main Subsidiaries: Botswana Life and Bifm. We will therefore continue to roll out our broad-based strategy further in the current financial period, also continuing to leverage our "Strength in Numbers" strategy approach.

It is the success of our twin strategy of Growth and Profitability that has ensured that the Group remains well-positioned in terms of capital management and solvency. Thanks to our solid capital position, which is aligned with our future capital requirements, and ensuring we sustain healthy levels of Return on Group Equity Value, we have been able to declare a final dividend of 59 thebe per share (net of tax) and a special dividend of 11 thebe per share (net of tax), bringing the final total dividend to P369 million for the full year.

THE BOARD

Two of our long-standing Directors, Gaffar Hassam – who has become a veritable institution within the BIHL Group, having first joined Botswana Life some 15 years ago – and Gerrit van Heerde, have both retired from the Board in 2019. They will be sorely missed as their dedication and support have undoubtedly contributed to the Group's success over the years.

We firmly believe that, at the intersection of the passion and skill of our people and the boundless opportunity that digitisation presents, we are able to sustainably engineer brighter futures for all Batswana.

Mrs. Batsho Dambe-Groth

On behalf of the Board and the Group, I wish them all the best in their future endeavours.

In their places, we welcome Kobus Vlok and Andrew Cartwright, and wish them a long and fruitful association with the Group.

While I am satisfied with the current composition of the Board – and our Management structures – I believe there is always more that can be done in terms of diversity to ensure the greatest possible demographic representivity throughout the organisation. This will continue to remain a focus for me, and the Board as whole, into the future.

LOOKING AHEAD

We cannot ignore the impact COVID-19 will have on Botswana and on markets around the world. Even though, at the time of writing this Report, Botswana had no reported cases of COVID-19, it is only a matter of time until this occurs. We are drawing on the guidelines received from the Ministry of Health and Wellness and the wider Botswana Government to take whatever precautions are necessary to protect our employees, customers and stakeholders. In addition, we are in the process of developing and rolling out a strategy to mitigate the risks posed by this global pandemic to the business itself as far as possible.

Despite what is still a fragile global economy, growth prospects for the BIHL Group and Botswana appear to be moderately stronger than they were in 2019.

APPRECIATION

There are many individuals and groups to whom I would like to express my appreciation for their ongoing loyalty and support. First and foremost, my thanks go to our valued Clients and Shareholders, Distribution Partners and other stakeholders for their ongoing partnership with our business.

I would particularly like to thank our major shareholder, Sanlam, for their continued technical support and guidance, while allowing us the freedom to operate as a truly Botswana business.

I would also like to pay tribute to every Member of our Board for their visionary minds, leadership, resilience, hard work and dedication. This has enabled us to steer our pan-African ship through good times and bad.
It would be remiss of me not to give special recognition to and express my appreciation of the men and women at the coal face. The people who make the BIHL Group what it is: our employees. They work tirelessly daily to ensure the Group's ongoing success. Thank you all for your service, commitment and hard work.

In conclusion, the BIHL Group remains focused on delivering on our strategy of growing our people, driving excellent service for our customers, engineering legacies, driving growth and returns to our shareholders, and making a sustainable positive impact in the communities in which we operate. Our resolve holds firm and our passion does not wane.

In the face of the uncertainty in global markets, which is expected to continue, we remain alive to the possible impact on our results and how we remain relevant for our stakeholders. We will continuously bear this in mind as we deliver on our strategy, returns and services to our stakeholders.

Mrs. Batsho Dambe-Groth
The BIHL Group Chairman

Historically, financial institutions have relied on price, speed, and access as ways to attract customers. But online platforms are making it easier for customers to compare prices. Emerging technologies are reducing instant product and service delivery to a basic expectation.

How Artificial Intelligence is Transforming the Financial Ecosystem; The New Physics of Financial Services

Group Chief Executive Officer's Report

The market environment in 2019 is best characterised as uncertain. Against this backdrop, however, the BIHL Group continued to perform impressively. We are pleased to have increased value for shareholders through a stronger embedded value for the year to end-December.

While the Group's Operating Profit remained flat at P376 million, Core Earnings far outstripped the inflation rate of 2.2% for the year by rising to P412 million – an increase of 7% over prior year. At the same time, Profit Attributable to Equity Holders rose 18% to P437 million.

We were also pleased to see an impressive 11% increase in Net Insurance Premium Income to P2.6 billion. In addition, despite ever increasing levels of competition in the insurance sector, our position as the country's leading financial services provider was assured and confirmed by an 8% rise in Value of New Business to P158 million.

Core Earnings

+7%

to P412 million

Profit Attributable to Equity Holders

+18%

to P437 million

Ms. Catherine Lesetedi
The BIHL Group Chief Executive Officer

Group Chief Executive Officer's Report (Continued)

We also experienced an 8% decrease in our fee revenues to P98 million, due to pressure on fees; but Assets Under Management (AUM) grew by 6% to a record P29.2 billion. However, these figures only tell part of the BIHL Group story in 2019 and our determination to deliver on our promise for sustainable returns.

What these results really demonstrate is the unrivalled combined strength across the Group and our Associates, and the success of our Strategy over the years. This includes our diversification efforts as we moved toward becoming a truly broad-based financial services organisation.

We are pleased with the contribution to the Group's Operating Profits from our Associates which stood at 49%, demonstrates that our diversification strategy is truly bearing fruits.

BOTSWANA LIFE INSURANCE LIMITED

Net Premium Income grew by 11% from P2.35 billion in 2018 to P2.60 billion in 2019. Total new business written grew by an impressive 18%, underpinned by strong performance on group lines. Recurring premium income recorded a growth of 12% from P1.30 billion in December 2018 to P1.46 billion in the review period. This line represents a sustainable source of profits in the long term.

The Value of New Business, which represents the present value of future profits from new business premiums written during the year, increased by 8% percent from the previous year on the back of impressive new business volumes from the group lines.

Operating Profit increased by 3% compared to December 2018. The growth is mainly a result of the uptick in new business volumes from the Group lines and low new business strain for our retail products.

While operating expenses increased above inflation, this was a result of the investment made on the five-year Strategy that was rolled out at the beginning of the year.

Selling expenses rose in line with the increase in income from Group lines.

During the year, management launched the soft elements of the 'Life and More' marketing campaign. This is a two-year campaign that is intended to support the Company's five-year Se, Sarona Strategy through brand positioning, client delight and elevating Botswana Life's advisory role within the community it serves in a way that profiles the Company's products where appropriate.

The Company also launched an extended family funeral cover product, Masika Otlhe. The launch of this product demonstrates our agility, commitment to innovation and ability to predict customer needs.

Although prospects for the economy remain uncertain in the face of both international economic and domestic challenges, Botswana Life's Management is focused on delivering sustainable growth and value to its stakeholders.

Bifm

The Asset Management business too came under enormous pressure, with the highly competitive environment in which it operates what can only be described as an unprecedented fee squeeze. As a result, Bifm Group's Operating Profit for 2019 was flat when compared to 2018. More stringent cost management and containment strategies are being implemented to address this challenge.

The Zambia business, on the other hand, remained resilient. Despite challenging economic conditions particularly in the second half of the year, it posted a 5% year-on-year growth in Operating Profit.

During the year, Bifm Management rolled out a new five-year Strategy which included the introduction of some new funds to the market. This Strategy is already bearing fruit with fresh mandates received for some of the new funds. Bifm successfully implemented the new liability administration system, the system is designed to deliver greater efficiencies in business operations. This system includes features that will enable us to sell more effectively and efficiently in the future. Management is cognisant of the highly competitive environment and will continue to focus on managing expenses and delivering value to clients.

Total Assets Under Management (AUM) for Bifm Group for the year was P29.2 billion, 5% up on the 2018 AUM. From this total of P29.2 billion, the Zambia operation contributed P4.2 billion AUM, with the remaining P25 billion AUM coming from Bifm Botswana. The growth was driven by both positive market performance and inflows from existing clients – a clear vote of confidence in Bifm's prowess as an investment manager.

ASSOCIATES

Letshego Holdings Limited performance in the year under review was greatly improved with a significant 37% contribution to the overall performance of BIHL.

Funeral Services Group (FSG), also produced satisfactory results for the period under review. New products were launched during the year and we believe that the results thereof will be felt in the current financial year.

Nico Malawi Holdings' performance for the year was pleasing with a significant turnaround for the bank, which had experienced challenges in the past.

Overall, we are pleased with the performance of the Associates as reflected in their contribution to BIHL's earnings in 2019.

FIVE-YEAR STRATEGY

During the review period, we commenced the next phase of our five-year diversification Strategy which is focused on building our solid foundation of risk management, good governance and corporate citizenship.

Illustration 1.

The Pillars above (illustration 1), combined with constant vigilance in our search for new growth opportunities, including through mergers and acquisitions, will ensure the ongoing growth of the business.

Looking forward, we will continue to draw heavily on our core Values – Collaboration, Client Centricity, Agility and Innovation, High Performance and Corporation Citizenship. This is in efforts to achieve our Mission of Engineering Legacies for our clients and delivering exceptional returns for our shareholders through service excellence in wealth and insurance management.

We are not oblivious to the challenges we face as a Group. The continued uncertainty within the global markets will undoubtedly continue to affect the Group's performance and results through 2020. Nonetheless, I believe that, as the BIHL Group, we are well-placed to continue to deliver value to our customers, shareholders and wider stakeholders, and to achieve continued profitable growth by leveraging our Corporate Strategy. In the year ahead, we will double down on our efforts to develop our talent even further and improve the effectiveness of our distribution channels.

At the time of writing this report, the World Health Organisation (WHO) had just declared COVID-19 a world pandemic. While this might be seen as purely a health issue, we see it as a humanitarian tragedy and a socio-economic challenge of untold and unseen proportions. The lack of a global co-ordinated response to curb the further spread of the virus is a sure recipe for disaster for world economies and the human race.

The Group remains vigilant and committed in its approach to safeguarding the wellbeing of its employees and clients, and all its stakeholders alike. In this regard, the Group has ensured that all recommended health protocols are implemented and adhered to across all of the businesses.

There is no doubt that the Group's results for 2020 will be affected by the COVID-19 pandemic; however, the Group is well-capitalised, with adequate resources to absorb some of the economic and market shocks. Through its various Management and Group Board Committees, a robust rapid response plan has been established to address business risks as they emerge.

We are confident that these processes will mitigate the risks, while also uncovering areas of opportunity. We have full trust and confidence that the Group will successfully navigate the challenges that are being brought upon us by COVID-19, whilst also protecting its profitability.

THANKS

The BIHL Group is fortunate to be staffed by a team of true heroes who did not falter as they carried out the Group's Mission in the face of seemingly insurmountable challenges in 2019.

I would like to thank the Board and my Management team for their unwavering support as well as the Sanlam Group, for their continued technical support and guidance throughout this period of review.

To our Regulator, NBFIRA, the Ministry of Finance and Economic Development, the wider Government of Botswana, the Botswana Stock Exchange (BSE) and all other entities that help shape and govern the ecosystem in which we operate, we are eternally grateful.

As always, our clients continue to demonstrate their faith in us and this is truly appreciated. It is with them in mind and at the heart of what we do that we are able to be the business we are today.

Re a leboga.

Ms. Catherine Lesetedi
The BIHL Group Chief Executive Officer

Financial Report

The BIHL Group posted a Return on Group Equity Value (ROGEV) of 13% for the year ended 31 December 2019. This fell short of the target ROGEV of 14.5% but was a significant improvement on the return reported at half year. The improved return mainly came from an increase in Value of in-force policies which grew by P147 million compared to prior year. In addition, most of the underlying companies performed well, enabling them to contribute positively to the return on EV.

The BIHL Group continues to do well in terms of its solvency and stability, with capital cover of 7.1 times (based on an internal requirement of the higher of 1.2 times TCAR or 2 times OCAR for the life business) as at 31 December 2019 compared to 4.7 times at the same time in the previous year. The increase is mainly attributable to the change in the Risk Appetite for Botswana Life which referenced 2 times TCAR. The Board is comfortable that the Group is operating with capital cover that is well in excess of statutory requirements and the Group's internal more stringent capital cover requirements.

The largest business, Botswana Life, performed particularly well with an 11% increase in Premium Income underpinned by a 12% increase in Recurring Premium Income. The growth in Operating Profit was however at 3% owing to costs incurred to align the Company's resourcing with the new strategy which is aimed at delighting clients. Key profit sources were mainly the mortality profits from the Term Assurance book and an improved performance of the Employee Benefits Lines and Affinity Schemes.

Bifm has remained a strong bull in the asset management sphere, despite hostile market conditions. The business noted an increase of Assets Under Management (AUM) by 6%, closing the year with P29.2 billion. Throughout the period under review, the asset management business was able to defend its mandates, and this is no small achievement given that Bifm is the biggest player in Botswana. The Unit Trust (UT) business experienced growth in management fee income of 14%; however, this was negated by higher administration system charges than had been anticipated, causing the Operating Profit Before Tax (OPBT) for the unit to fall by 7% compared to the prior year. In addition, the business continued to face pressure on fees, and Management Fees which declined by 8% year-on-year with the Botswana operations Operating Profit Before Tax (OPBT) declining by 14% as compared to 2018. Included in the P29.2 billion AUM is P1.9 billion AUM for Bifm UT, Bifm Botswana's P23.2 billion and Aflife Zambia's P4.2 billion.

Group Administration Expenses grew by P8 million compared to the prior year. This represents a 2.71% increase year-on-year. Group Management is committed to continuously interrogate the operations and identify the most efficient ways to deliver value to the Group's stakeholders.

The Group's share of profits from Associates increased by 169% year-on-year and this can be attributed to a fantastic performance by the Associates, especially in the second half of the year. Letshego posted Profit After Tax (PAT) growth of 37% and this meant that the valuation impairments that we had seen in the past were not necessary at December 2019 (last impairment was at June 2019 and is included in this result).

Mr. Kudakwashe Mukushi
The BIHL Group Chief Financial Officer

Nico Holdings in Malawi outperformed our expectations. The NBS Bank has turned the corner and posted MWK4.5 billion in PAT. Its fledgling Asset Management company experienced an incredible and encouraging 68% growth in PAT and appears to hold excellent growth prospects for the Malawi business.

BIC had a stellar year, posting Operating Profit growth of 38% driven mainly by a 24% increase in Gross Written Premiums compared to prior year. The Claims Ratio and Combined Ratio closed the year largely aligned with prior year levels.

Given the continued strong performance and capital position, the Board declared an ordinary dividend amounting to P166 million net of tax. In addition, following a return of capital from some of the Offshore Private Equity investments where shareholder funds are invested, a special dividend amounting to P31 million net of tax was declared. The Group continues to return good value to shareholders.

APPRECIATION

With that, I would like to take this opportunity to thank the dedicated group of individuals who have worked diligently and efficiently to produce the numbers that appear in this Annual Report.

Economic and Financial Review

On the global front, 2019 was a volatile year for financial markets where the US-China trade war, Brexit uncertainty, geo-political risks, and signs of slowing global economic growth dominated markets.

The year started with positive market sentiments as concerns over global trade eased and major central banks grew more accommodative. Towards the end of the year, optimism returned to markets on the prospects of an eventual US-China trade deal, better global economic data and an accommodative monetary stance by global central banks. Generally, investor sentiment improved over the last quarter, resulting in a significant rally in risky assets and higher benchmark yields.

On the local front, real GDP slid from 4.1% (YoY) in Q1 2019 to 3.1% (YoY) in Q3 2019. The deceleration in growth was mainly driven by lower mining output in 2019, predominantly emanating from a decrease in international diamond demand. On the other hand, growth in real value added in Finance & Business Services, Trade, Hotels & Restaurants and Transport & Communications industries remained robust. Botswana's inflation rate continued to surprise the market on the downside and remained persistently below the Bank of Botswana's target range of 3- 6%. Inflation softened to 2.5% in April, before rising to 2.9% in August and closed the year at 2.2% in December. The Central Bank cut the bank rate by 25bps (0.25%) in August to 4.75%. The Monetary Policy Committee (MPC) attributed for the positive inflation outlook in the medium term to subdued domestic demand pressures and modest increases in administered prices. Credit extension dropped from 8.1% in January to 6.8% in July, driven by a significant decline in business borrowing which indicated lower activity in the business sector. Business credit dropped by -1.8% from 10.4% while credit to households increased to 9.9% from 6.4% during the period from January to July 2019. This is confirmation of the latest Business Expectation Survey (BES) results which showed that businesses were less optimistic about economic activity, concerned about tight access to credit in the domestic market and anticipated upward pressure on costs of materials, wages and transport.

SHAREHOLDER VALUE

The key performance measurement of the BIHL Group is Return on Group Equity Value (ROGEV), which is reflective of the creation of shareholder value through achieving sustained levels of optimised returns. This measure of performance is regarded as the most appropriate given the nature of the Group's business and incorporates the results of all the major value drivers in each of the different businesses.

The Group achieved a ROGEV of 13% compared to 14% in the prior year. This return is indicative of a strong performance considering the environment in which the inflation rate ended the year at 2.2% and interest rates are currently at an all time low. The 2019 ROGEV performance is backed by a 9% increase in Value of In Force (VIF) policies and an P85 million increase in Net Asset Value (NAV) inclusive of fair value changes in valuation of underlying entities.

The Group's embedded value per share grew 92 thebe per share from P15.55 at the end of 2018 to P16.47. The growth resulted from the increase in VIF of P147 million combined with the growth in NAV of P85 million.

The Group's capital position remained strong, with a required capital cover of 7.1 times (2018: 4.7 times). The strong capital position allows the Group latitude to ride the economic uncertainties that lie ahead. It also allows the Group room to pursue growth opportunities, both organically and through acquisition.

Economic and Financial Review (Continued)

OVERVIEW OF OPERATIONS

For management purposes, the Group is organised into three principal business areas based on their products and services. These make up the reportable operating segments as follows:

- The life insurance segment, which provides life insurance services to its customers through Botswana Life Insurance Limited, Botswana's leading life insurance company, a full Subsidiary of the Group;
- The asset management segment, which provides asset management services to its customers through Botswana Insurance Fund Management Limited, a full Subsidiary of the Group; and
- The general insurance segment, which provides legal insurance and short-term insurance to its customers through BIHL Insurance Company Limited and Botswana Insurance Company Limited (BIC) respectively.

BIHL also has Associate and joint venture holdings of 28.1% in Letshego Holdings Limited, 37% in Funeral Services Group (FSG), 50% in BIC and 25.1% in Nico Holdings Limited (Malawi).

LIFE INSURANCE BUSINESS

Net Premium Income grew by 11% from P2.35 billion in 2018 to P2.60 billion in 2019. Total new business written grew by an impressive 18% underpinned by a strong performance on group lines. Recurring premium income recorded a growth of 12% from P1.30 billion in December 2018 to P1.46 billion in 2019. This line represents a sustainable source of profits in the long term.

The Value of New Business, which represents the present value of future profits from new business premiums written during the year, increased by 8% percent from the previous year on the back of impressive new business volumes from the group lines. The operating profit increased from P366 million in December 2018 to P381 million in December 2019. The growth is mainly a result of good new business volumes from the group lines and low new business strain for our retail products. Operating expenses increased above inflation as a result of the investment made on the 5-year Strategy that was rolled out at the beginning of the year. Selling expenses increased in line with the increase in income from group lines.

Bifm

Bifm Group noted an increase of Assets Under Management (AUM) by 6%, closing the year with P29.2 billion. Included in this number is Zambia's P4.2 billion and the remaining P25 billion represents assets directly managed by Bifm and the Bifm Unit Trusts.The business continued to face pressure on fees, and Management Fees which declined by 8% year-on-year with the Botswana operations Operating Profit Before Tax (OPBT) declining by 14% as compared to 2018. The business' operating profit for 2019 was flat when compared to 2018's performance. The main reason for this was the continued pressure on investment management fees resulting in lower margins. The margin squeeze calls for more stringent cost management and containment strategies. The Zambia business on the other hand remained resilient despite the challenging economic conditions particularly in the second half of the year and posted an overall 5% year-on-year growth in operating profit.

CAPITAL AND SOLVENCY

The Group remains well positioned in terms of capital management and solvency with a Required Capital Cover of 7.1 times (2018: 4.7 times). This was taken into consideration by the Board when resolving a final dividend. The Board has confidence in the Group's ability to maintain dividends at this level while ensuring that its capital position remains solid and aligned with future capital requirements whilst sustaining healthy levels of Return on Group Equity Value.

Embedded Value

DEFINITION OF EMBEDDED VALUE

The embedded value represents an estimate of the economic value of the company excluding the value attributable to future new business and the value attributable to minority interests. The embedded value comprises:

- The value of the shareholders' net assets;
- Fair value adjustments; and
- The value of the in-force business.

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuation date, discounted at the risk discount rate, and adjusted for the cost of capital required to support the business.

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2019, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

> **The Fourth Industrial Revolution represents a fundamental change in the way we live, work and relate to one another. It is a new chapter in human development, enabled by extraordinary technology advances commensurate with those of the first, second and third industrial revolutions.**
>
> World Economic Forum

Embedded Value (Continued)

2. EMBEDDED VALUE RESULTS

	31/Dec/19 P'000	31 Dec 2018 P'000
Shareholders' net assets excluding goodwill	2,840,992	2,755,575
Fair value adjustments	-	-
	2,840,992	2,755,575
Value of in-force business	1,810,554	1,663,855
Value before cost of capital	1,775,420	1,623,934
Fair value adjustments	183,102	176,562
Cost of capital	(147,968)	(136,641)
Embedded value	4,651,546	4,419,430
Embedded value per share (Pula)	16.47	15.68

3. EMBEDDED VALUE EARNINGS

The embedded value earnings are derived as follows:		
Embedded value at the end of the year	4,651,546	4,419,430
Embedded value at beginning of the year	4,428,758	4,307,359
Change in embedded value	222,788	112,071
Movement in capital an Opening NAV reinstatement	(16,553)	31,964
Dividends and new capital	368,684	457,441
Embedded value earnings	574,919	601,476
Return on embedded value	**13.0%**	**14.2%**
These earnings can be analysed as follows:		
Expected return on life business in force	146,522	127,688
Value of new business	170,428	158,260
Value at point of sale	157,699	146,677
Expected return to end of year	12,729	11,583
Operating experience variances	88,659	73,064
Mortality/Morbidity	27,612	25,121
Persistency	29,136	2,714
Expenses	8,185	327
Other	23,726	44,902
Operating assumption changes	(20,085)	45,292
Mortality/morbidity	(15,851)	70,156
Persistency	(61,680)	22,037
Expenses	76,521	(7,977)
Other	(19,075)	(38,924)

	31/Dec/19 P'000	31 Dec 2018 P'000
Embedded value earnings from operations	385,524	404,304
Investment variances	39,440	27,044
Economic assumption changes	30,543	(19,414)
Interest and Inflation	3,788	(3,297)
Risk discount rate	26,755	(16,117)
Growth from life business	455,507	411,933
Return on shareholders assets	122,200	69,341
Investment Returns	(19,573)	(32,418)
Net profit non-life operations	141,773	101,759
Change in shareholders' fund adjustments	(2,788)	120,201
Investment surpluses on treasury shares	(77,531)	(1,809)
Movement in present value of holding company expenses	(5,830)	10,415
Movement in fair value of incentive scheme shares	(5,243)	(26,143)
Movement in other net worth adjustments	85,816	137,738
Embedded value earnings	577,919	601,476
Fair value adjustments		
Staff share scheme	(28,596)	(22,767)
Non-life operations write-up to fair value	320,326	225,183
Group holding expenses	(148,102)	(142,858)
Reversal of cross holding adjustment	39,474	117,004
Total	183,102	176,562
Consisting of		
Value of in-force business adjustments	183,102	176,562

4. VALUE OF NEW BUSINESS

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2019, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

Value of new business at end of the year	170,428	158,260
Value at point of sale after cost of capital	157,699	146,677
Value at point of sale before cost of capital	165,204	154,859
Recurring premium	106,282	94,393
Single premium	58,922	60,466
Cost of capital at point of sale	(7,505)	(8,182)
Expected return to end of year	12,729	11,583

Embedded Value (Continued)

5. SENSITIVITY TO THE RISK DISCOUNT RATE

The risk discount rate appropriate to an investor will vary depending on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future profits of the Botswana Insurance Holdings Limited Group. The sensitivity of the embedded value to the risk discount rate is set out below.

Risk Discount Rate	9.0% P'000	10.0% P'000	11.0% P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	2,840,992	2,840,992	2,840,992
Value of in-force business	1,915,611	1,810,599	1,712,776
Value before cost of capital	1,861,322	1,775,465	1,693,087
Fair value adjustments	183,102	183,102	183,102
Cost of capital	(128,813)	(147,968)	(163,413)
Embedded value	4,756,602	4,651,591	4,553,768
Value of one year's new business at valuation date	161,938	157,699	138,963
Value before cost of capital	168,990	165,204	148,396
Cost of capital	(7,052)	(7,505)	(9,433)

6. ASSUMPTIONS

The assumptions used in the calculation of the embedded value are the same best estimate assumptions used for the Financial Soundness Valuation. The main assumptions used are as follows:

6.1 Economic Assumptions

Best estimate economic assumptions are the same as assumed in the Financial Soundness Valuation as shown in the financial statements. The main assumptions (% p.a.) used are as follows:

	31-Dec-19 % p.a	31-Dec-18 % p.a	31-Dec-17 % p.a
Risk discount rate	10.00	10.50	10.00
Overall investment return (before taxation)	7.00	8.08	7.58
Expense inflation rate	3.50	4.00	3.50

6.2 Mortality Rates

The assumptions for future mortality rates are based on the results of recent experience investigations conducted by the company. The most recent conducted on 30 October 2019 by the company.

6.3 Expenses

A 3.5% expense escalation per annum was assumed going forward. (Dec 2018: 4%)

6.4 Premium Escalations

The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the period to 31 Dec 2019.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 30 October 2019 by the company.

6.6 Tax

Allowance was made for the current life office taxation basis, including capital gains tax.

6.7 Mix of assets backing the Capital Adequacy Requirement

Asset Class	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Equities	0.0%	0.0%	0.0%	15.0%
Property	50.0%	50.0%	0.0%	10.0%
Fixed-interest securities	0.0%	0.0%	0.0%	25.0%
Cash	50.0%	50.0%	100.0%	50.0%
Total	100.0%	100.0%	100.0%	100.0%

6.8 Other Assumptions

The embedded value per share does not include an allowance for the future cost of the share option scheme. Where shares have not yet been issued, the number of shares used to calculate the embedded value per share will be increased as and when these options are granted. Granting share options will therefore influence the embedded value per share in future.

7. SENSITIVITIES

This section illustrates the effect of different assumptions on the value of in-force business net of cost of capital. The effect of assumption changes in the Financial Soundness Valuation has been included in the value of in-force business. For each sensitivity illustrated all other assumptions have been left unchanged.

	Value of in force P'000	Cost oG capital over base Capital P'000	Value before cost of capital Total P'000	% Change
Embedded value at 31 December 2019				
Base	1,810,599	147,968	1,958,567	
Discontinuance rates decrease by 10%	1,857,984	149,713	1,708,271	(12.8%)
Future expenses decrease by 10%	1,854,976	147,968	1,707,009	(12.8%)
Mortality experience decreases by 5%	1,777,020	147,988	1,629,032	(16.8%)
Investment returns decrease by 1%	1,894,206	149,930	1,744,276	(10.9%)
Risk discount rate decreases by 1%	1,861,422	163,413	1,698,008	(13.3%)
Risk discount rate increases by 1%	1,693,182	128,813	1,564,369	(20.1%)

	Value of new business	Cost of capital	Value before cost of capital	% change
Value of one year's new business as at 31 December 2019				
Base	157,699	7,505	165,204	
Discontinuance rates decrease by 10%	162,958	8,322	171,280	3.7%
Future expenses decrease by 10%	157,476	8,322	165,798	0.4%
Acquisition costs decrease by 10%	156,284	8,322	164,606	(0.4%)
Mortality experience decreases by 5%	166,363	8,322	174,685	5.7%
Investment returns decrease by 1%	150,665	8,322	158,987	(3.8%)
Risk discount rate decreases by 1%	154,885	7,052	161,938	(2.0%)
Risk discount rate increases by 1%	129,530	9,433	138,963	(15.9%)

Report of the Independent Actuary Botswana Life Insurance Limited

The results presented in this Annual Report are based on the requirements of the Companies Act, which uses the bases set out on below, referred to as the Published basis. For reporting under the Botswana Insurance Act, the results are prepared according to Botswana Insurance Prudential Regulations and referred to as the Prescribed basis. As at 31 December 2019 the Assets and Liabilities under the two approaches are the same.

	31-Dec-19 P'000	31-Dec-18 P'000
Statement of Actuarial Values of Assets and Liabilities		
Total assets	13,074,545	12,346,132
Current liabilities and deferred tax	600,806	541,451
Net assets	12,473,739	11,804,681
Actuarial value of policy liabilities	10,444,103	9,859,346
Excess of assets over liabilities	2,029,636	1,945,335
Capital Adequacy Requirement	321,268	279,774
Capital Adequacy Requirement cover	6.32	6.95
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period as previously reported	1,945,335	2,037,800
Excess assets as at end of reporting period	2,029,636	1,945,335
Change in excess assets over the reporting period	84,301	(92,465)
This change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities	16,648	2,800
Changes in valuation methods or assumptions	38,007	(2,347)
Operating profit	339,878	368,725
Taxation	(94,074)	(100,446)
Ordinary shareholders surplus for the period	300,458	268,732
Share of profit from an associate company	74,737	8,755
Changes in reserves of associates	(4,610)	(41,112)
Capital raised and dividends paid	(286,284)	(328,840)
Total change in excess assets	84,301	(92,465)

CERTIFICATION OF FINANCIAL POSITION ON PRESCRIBED BASIS

Changes in valuation methods or assumptions of assets and liabilities

Changes in basis and methodology had the effect of reducing the total value of policyholder liabilities by P 38 million as at 31 December 2019 (31 December 2018: increased by 2.3 million). The impact of valuation assumption and methodology changes on policyholder liabilities are summarised below

	2019 P million	2018 P million
Assumptions and model change		2.3
Mortality	35.2	(4.4)
Lapses	(0.7)	(0.8)
Expenses	6.5	5.7
Economic	(10.1)	2.4
Other	(68.9)	(0.5)
Total	(38.0)	2.3

Valuation Methods and Assumptions

The valuation was performed using the gross valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis as per NBFIRA's IPR1L: Prescribed Valuation Method for Long-term Insurance and IFRS4. Investment contracts without discretionary participation features have been valued in terms of IAS 39; Financial Instruments: Recognition and Measurement.

Instruments: Recognition and Measurement

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy to avoid the premature recognition of profits that may give rise to losses in later years.

Assets and policy liabilities have been valued using methods and assumptions that are consistent with each other. A gross premium valuation gives a statement of the financial position of a life assurance Company, according to a realistic or best estimate set of assumptions regarding future investment returns, bonus rates, expenses, persistency, mortality and other factors that may impact on the financial position of the Company. Assumptions are based on past experience and anticipated future trends. A provision is made for the expected impact of AIDS on the experience of the Company. The liability calculations also make allowance for the reasonable benefit expectations of policyholders, which may exceed the minimum contractual obligations of the Company.

LIABILITY VALUATION METHODS AND ASSUMPTIONS

INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH PARTICIPATION IN PROFITS ON A DISCRETIONARY BASIS

The actuarial value of the policy liabilities is determined using the method as described in Botswana's Insurance Industry Prudential Rule IPR1L as issued by the Non-Banking Financial Institutions Regulatory Authority (NBFIRA). Assets are valued at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for

- The best estimate of future experience;
- The compulsory margins prescribed in the IPR1L; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and Company policy.

The value of policy liabilities at 31 December 2019 exceeds the minimum requirements in terms of the IPR1L.

The application of guidance is described below in the context of the Company's major product classifications.

BEST ESTIMATE OF FUTURE EXPERIENCE

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from the medium to long term inflation assumption, provided by an independent economist, and appropriate risk gaps for different asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and taxation at current tax rates are also considered.
- Unit expenses are based on the 2019 budgeted expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions regarding future mortality, morbidity and disability rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates because of AIDS and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions regarding lapse, surrender and paid-up rates are consistent with the Company's recent experience or expected future experience if this would result in a higher liability.

For the market-related portion of the unbundled business (e.g. those where a portion of the premium is allocated to an accumulation account) the market related liability was taken as the market value of the units notionally credited to the policies. The non-market related portion of the liability was calculated as the present value of future charges required for risk benefits and renewal expenses (the 'Pula' reserves). For calculating the Pula reserves, the discount rates as supplied below, were used.

Appropriate reserves for the unexpired risk portion and for claims incurred but not reported were held for group life and credit life risk premium benefits. The unexpired premium reserve assumes that premiums are earned uniformly for the term of the policy and the reserve is subject to a minimum of the surrender value on the policy. These reserves are calculated using standard actuarial methods and assume that current claims reporting experience is an indicator of future experience.

Liabilities for life and term annuities and guaranteed non-profit endowment policies were valued on a discounted cash flow basis at interest rates based on the bond yield curve at the valuation date.

Where policyholders participate on a discretionary basis in the proceeds of the business, their reasonable benefit expectations have been interpreted as their share in the funds accumulated to them as a group over their in-force lifetime. To achieve a steady, build up via bonus declarations, it is necessary to apply some smoothing of investment returns experienced by these funds. For this purpose, a Bonus Stabilisation Reserve is held that represents the difference between the funds set aside and the value of policy liabilities based on declared bonuses, ensuring that excess investment returns are held back to

Report of the Independent Actuary Botswana Life Insurance Limited (Continued)

provide for future payment of policy benefits. It is possible in difficult investment times for the Bonus Stabilisation Reserve to be negative. No bonus stabilisation reserve for any class of business was more negative than - 7.5% of corresponding liabilities at the valuation date (2018: - 7.5%).

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 8.55% per annum (2018:8.55%). A discount rate of 7% per annum (2018:8.3%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

In the case of policies for which the bonuses are stabilised, the liabilities are equal to the balances of the investment accounts plus corresponding bonus stabilisation reserves. Bonus stabilisation reserves held equate the liabilities to the market value of the corresponding assets.

Where relevant, liabilities include provisions to meet maturity, mortality and disability guarantees and for losses in respect of potential lapses and surrenders.

The discretionary margins held on individual life products are as follows:

- Margin of 15% on surrender rates for Mompati product (2018:15%);
- Margin of 290% (2018: 290%) on Mompati rider benefits claims rates. The high margin is historical and will be reviewed once new models are adopted in 2020; and
- Additional reserves are created to ensure that no policy is treated as an asset No other discretionary margins are held on individual life products.

For annuities, no discretionary margins are held in respect of the compulsory margin items; however, an explicit discretionary reserve is created through a methodology approved by the Actuarial Committee and the Statutory Actuary. An explicit discretionary reserve of P313.2 million (2018: P296.2 million) was held at the end of the current period.

A more detailed description of the individual elements of the basis follows.

ECONOMIC PARAMETERS

The best estimate assumptions for the major investment parameters are based on estimated future inflation. The current Botswana inflation rate was not used as it was believed to be not reflecting fully factors affecting inflation in the medium to the long-term period. The estimate for the future expected Botswana inflation was obtained from an economist. The assumptions quoted below are before the allowance for compulsory and discretionary margins and tax:

	2019 %	2018 %
Gilt return	6.5	7.0
Equity return	10.0	10.5
Property return	7.5	8.0
Cash return	5.5	6.0
Average return	7.4	7.9
Expense inflation	3.5	4.0

BONUS RATES

Bonus rates on smoothed bonus policies have been assumed at a self-supporting rate.

POLICY DECREMENTS

The assumptions (before adding margins) for future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the Company's recent experience. Provision has also been made for the expected occurrence of AIDS-related claims. The most recent lapse investigation was done as at the end of October 2019 with effective date of December 2019. The most recent mortality investigation was done in November 2019 using a 10-year exposure ending 31 December 2017 for annuities and for individual life products the investigation was done in May 2019 using a 4-year exposure from 1 January 2014 to 31 December 2018.

EXPENSES

Provision for expenses (before adding margins) starts at a level consistent with the Company's current experience and allows for inflation of 3.5% (2018: 4.0%) escalation per annum.

VALUATION BASIS OF POLICY LIABILITIES FOR INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION FEATURES

In the calculation of liabilities for investment contracts that provide investment management services, e.g. market-related investment contracts, the account balance has been held as the value of the liability. No negative Pula reserves have thus been held for these contracts.

VALUATION OF ASSETS

The assets (including the excess of assets over liabilities) are valued at fair value, as per the accounting policies in the financial statements. Goodwill has been excluded from the value of the assets. In the case of the Prescribed valuation the asset values were subject to restrictions in line with IPR2L.

PRESCRIBED CAPITAL TARGET (PCT)

The Prescribed Capital Target (PCT) is the minimum level of capital that is necessary to provide for more extreme adverse deviations in future experience than those assumed in the calculation of policy liabilities. The PCT has been calculated on two bases in accordance with NBFIRA's IPR3L - Prescribed Capital Target (PCT) for Long-Term Insurers with the maximum of the two bases being used.

For Botswana Life Insurance Limited, the maximum capital target is on the Terminal Capital Target (TCT) basis.

The ratio of accumulated surplus to PCT of P321.3 million (December 2018: P279.8 million) under prescribed basis is 6.32 times (December 2018: 6,95 times).

I hereby certify that:

- The valuation of Botswana Life Insurance Limited as at 31 December 2019, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01), the Botswana Insurance Industry Prudential Rule IPR1L- Prescibed Valuation Method for Long-term Insurance Liabilities and IPR2L- Prescribed Valuation Method and Admissibility Restrictions for Long Term Insurance Assets.
- This valuation report has been produced in accordance with Botswana insurance prudential Rules LR3-Valuator's Annual Report
- The Company was financially sound as at the valuation date and, in my opinion, is likely to remain financially sound for the foreseeable future.

Edwin Splinter
Statutory Actuary

Chief Executive Officer's Report

2019 was a productive year for me, having completed a full year in my position as Chief Executive Officer at Botswana Life Insurance Limited. It was a busy and productive year all around as the business portfolio showed delivery of excellent results; while on other fronts showed numbers that were suffering but with potential to be turned around.

To the aforementioned, some results were exceptionally pleasing, with most areas of the business recording double-digit growth. Net premium income grew by 11% from P2.3 billion to P2.6 billion, reflecting an impressive 18% growth of total new business written. In addition, recurring premium income grew by 12% from P1.3 billion in 2018 to P1.5 billion in 2019.

One area of the business that recorded single digit growth of 8% was the value of new business – this represents the future profits of the new business premiums written during the year. However, when one considers the size of the Botswana market, an increase of 8% is a good performance by any objective measure.

From an operational perspective, the environment in 2019 was extremely difficult because of both internal and external factors. Externally, competition was exceptionally fierce, characterised by a free-for-all price war. Internally, we were faced with challenges that required significant investments in order to deliver on our operational responsibilities.

Net premium income grew by

11%

from P2.3 billion to P2.6 billion, reflecting an impressive 18% growth of total new business written. In addition, recurring premium income grew by 12% from P1.3 billion in 2018 to P1.6 billion in 2019.

At the beginning of this review period, Botswana Life was only 20% compliant with the Anti-Money Laundering (AML) and Counter Terrorist Financing (CFT) regulations. This placed the Company in a financially precarious position. By working seven days a week for about six months, the Botswana Life team ensured that we ended the year with 100% compliance for our high-risk clients. It was a phenomenal effort, which has saved us from what could have been an extremely costly legal status: Botswana Life has in excess of 300 000 policies in place; the fine for non-compliance is about P1 million per non-compliant policy. Effectively, Botswana Life team efforts saved The Company a potential fine of several hundreds of billions of Pula in fines.

Mr. Ronald J. Samuels
Botswana Life Insurance Limited
Chief Executive Officer

Chief Executive Officer's Report (Continued)

The launch of our five-year 2019-2023 Se, Sarona strategy's ultimate objective is to deliver a customer experience that truly delights – and this requires a significant investment in new technologies that will enable us to streamline and improve our operations holistically. With that, in 2019 our Operations stream was able to lay a solid foundation on which to build the essence of its contribution to the strategy mandate. I am confident the benefits will be realised in 2020 and beyond.

Despite operating expenses rising at more than the inflation rate, operating Profit remained relatively flat, rising by about 3% over the previous year. This increase is largely attributable to good growth in our new business volumes of Group product lines and the performance of some of our new retail products. Our review of annuity assumptions had a positive Operating Profit impact after we released some prudence built over the years.

It is worthy to note that, despite enormous challenges in the face of ongoing and unprecedented price wars that are rampant in the corporate space, Botswana Life has seen growth across our key product lines. Notably, we recorded a remarkable turnaround in the Company's corporate business in 2019, led by significant growth in our Group Life, Credit Life and Funeral books.

Having taken a deliberate decision not to become embroiled in a, prize war we considered both unsustainable and unproductive, our focus turned to retaining our clients by adding value to every aspect of our service; once again reiterating our efforts on client delight. We made our pricing totally transparent and appropriate in terms of what each client required. A closer eye on the loss ratios incurred was maintained as well as ensuring that every scheme was not only profitable but also unlocked value for our clients.

This attention to detail paid off, delivering an improvement on the Group Life line of business of over 60%. The performance of Annuities, Bancassurance and New Premium Equivalent (APE) was subdued in comparison to the corporate division and these are receiving attention in the current financial year but the broker business, which had been flat in 2018 experienced a 20% surge in 2019.

However, the overall sub-par performance of the retail business is being vigorously addressed as a key priority within the Se, Sarona Strategy.

Some aspects of this have already been put in place. For example, we launched our Training Academy which will provide extensive training to our tied financial advisors, brokers and agencies. This training is designed to upgrade their skillsets, enabling them to become trusted (and qualified) financial advisors. I am extremely proud that Botswana Life is the first insurance company in Botswana that is developing homegrown financial advisory expertise, enabling us to deliver a professional advisory service that provides local solutions to match specific needs of our customers.

In addition, we improved our processes and restructured our distribution model to support a clearly segmented market approach that will enable us to give clients exactly what they need for their specific life and financial circumstances. All this will take time to translate into a tangible uptick in the results of our retail business, but the first building blocks are in place.

Another one of the goals of the five-year Strategy is to professionalise the environment in which we work and to become a more agile operation. We have therefore embarked on a comprehensive digital transformation programme, starting with investment in technology that will deliver immediate improvements to our platform. We have already enhanced the integration and security of the core retail system, enabling us to provide more mobility and improved convenience to customers. We can now move away from paper-based systems, which will deliver huge efficiencies including faster turnaround times and data accuracy.

> **"As Botswana's leading life insurance/assurance company, we pay out P1.6 billion in claims and maturities annually. That's around P32 million every week."**

Recurring premium income grew by

12%

from P1.3 billion in 2018 to **P1.5 billion** in 2019.

We have also automated our claims process, with focus being to reduce the use of paper when assisting customers. As Botswana's largest insurance company, we pay out P1.6 billion in claims and maturities annually or around P32 million every week. The upgraded system will enable us to deliver on our promise of being the company that pays out on claims quickly, efficiently and with as little hassle to customers as possible, even more efficiently than before.

Another noteworthy achievement in the review period was the improvement in our policy persistency level, particularly in the face of new business growth. One of the reasons for this is our determination to deliver real value to clients, including those with low-premium products. Achieving this demanded lowering financial advisor and broker commissions on some product lines was obviously unpopular with some independent brokers. Nevertheless, we believe that this move should be regarded as a long-term investment in delivering value to customers.

A change in legislation in Botswana led to Botswana Life initiating another first in the Botswana insurance industry, we launched our Retirement Annuity Fund, a project that we believe will deliver long term value to both Botswana Life and our customers.

COVID-19 PANDEMIC

At time of writing this report, the situation around the COVID-19 pandemic remains uncertain. Our actuaries, both in Botswana Life and those at our parent company, the BIHL Group, are monitoring the situation closely. This should enable us to ensure that our products remain correctly priced for the risks posed by the pandemic and we have sufficient capital to meet the financial impact of this shock.

However, if there is one thing the global crisis has clearly indicated, is that life is inconsistent and can change at a moment's notice. Nothing should ever be taken for granted, and this should always be considered in one's financial and insurance planning. Botswana is highly underinsured in terms of Life cover; the Coronavirus situation should serve as a wake-up call to everyone, particularly those without substantial cash reserves that quality life insurance provides to take care of one's family in the event of the unexpected happening.

APPRECIATION

Taking leadership of a company the size of Botswana Life comes with huge responsibilities. I would like to thank the Board of Botswana Life and that of the BIHL Group for entrusting me with this iconic brand.

My thanks also go to our Executive Management team, and to every member of Staff who heeded the call for a new Botswana Life – one that is wholly focused on the Client and on extracting and delivering value to every one of our stakeholders. Many went above and beyond their standard roles in helping us to attain AML/CFT compliance, working long hours and pulling together as a tightly knit team to do so. They have imbibed the spirit of our Se, Sarona Strategy, ensuring a strong foundation has been laid for the future. I am honoured to be working with and leading a truly brilliant team.

I am also enormously grateful to our partners – our financial advisors (who are mandated and highly skilled to give financial advice) and brokers for sticking with Botswana Life and for choosing us as their insurer of choice. Without their contributions in 2019, we would not be in the solid position we are in today.

Finally, I would like to thank every Botswana Life policy holder, as well as the corporate business community and the decision makers at the many schemes and the individual members of those schemes, for trusting Botswana Life. I promise them that, in 2020 and beyond, we will live by our promise of continuous improvement to make sure that we create and deliver the value that we promised.

The name of our five-year strategy 'Se, Sarona' depicts the spirit of collaboration, ownership, responsibility, accountability and the will to go an extra mile, which defines the members of the Botswana Life team. The Strategy name, coined by a Botswana Life staff member, speaks to it 'being mine', 'being yours' and 'being ours'. This alone shows inclusion of our staff compliment in the running of the business. As Botswana's leading insurer, the Strategy aligns with our Vision of being Botswana's first choice in life insurance based financial solutions and advisory services.

Chief Executive Officer's Report

Bifm's operations are guided by a five-year Strategy, which ends in 2023. We review this Strategy on an annual basis to ensure that it is still relevant to our environment, to measure our successes or achievements and to refine and revise elements that need to be tweaked, where we were not successful.

I truly believe that the close alignment of our operations to the Strategic Pillars that constitute our Strategy, is largely responsible for the credible results in 2019 in the face of unprecedented challenges, both locally and in international markets.

The four Pillars of Bifm's Strategy:

01
To enhance the customer value proposition

02
To put clients front and centre of everything we do (client centricity)

03
To continuously improve organisational efficiencies

04
To attract, develop and retain the best talent (organisational capability)

Mrs. Neo L. Bogatsu
Chief Executive Officer, Bifm

Chief Executive Officer's Report (Continued)

Bifm

The Operating Profit was flat year-on-year, largely as a result of pressure on investment Management Fees. Competition and demands from clients necessitated a review of fees on new mandates as well as existing mandates, requiring a change in strategy over the review period.

Nevertheless, the Company turned in a decent performance, creating value for our shareholders. This was achieved through a combination of well-controlled costs and concerted efforts that were made to ensure the cost-containment strategy did not compromise service delivery or company initiatives, ensuring that these remained relevant in the evolving market.

Assets Under Management (AUM), grew by 6%, another clear demonstration of a successful 2019 from a business performance perspective. The growth was driven by both positive market performance and inflows from new and existing clients – a clear vote of confidence in Bifm's prowess as an investment manager.

BIFM UNIT TRUST (UT)

This relatively new business which was launched in 2013 and had seen losses accumulate during the first four years, remained profitable for the fourth consecutive year since 2016. The accumulated losses from the years following inception, have steadily reduced. In line with our strategic objectives, we expect to see the losses fully recovered by 2022. Not only has the Bifm UT continued to make profit, but operating income performed better than the prior year due to increased AUM in 2019. Encouragingly, AUM has become stickier, which translates into a steady stream of fee income. However, costs were higher owing to the costs associated with the implementation of a new liability administration system. Whilst high, these costs are essential as the system is designed to deliver greater efficiencies in business operations. This system includes features that will enable us to sell more effectively and efficiently in the future.

ZAMBIA

The Zambian business continued to operate in a volatile and uncertain environment. Despite the challenges, the business performed well, with healthy year-on-year operating profit growth of 34%.

KHUMO PROPERTIES

Khumo Properties is a key contributor to the Bifm value proposition. As a property manager to most of the properties in the Bifm Local Property Fund, Khumo has done a commendable job of ensuring that our portfolio mix remains optimal. The business has grown beyond the management not only Bifm properties. In 2019, Khumo introduced an investment broking unit, won new mandates and further diversified from the Bifm properties. Khumo's Operating Profit grew by 6% year-on-year.

MAJOR CHALLENGES

Among the many challenges faced by Bifm in 2020, operating in an environment in which investment returns were lower than investors had become accustomed to in prior years was one that required ongoing communication with our clients.

We also had to adapt our processes to accommodate the stringent but necessary and important AML laws and requirements, both locally and offshore. This had an impact on the length of time taken to open new accounts.

These delays were also exacerbated by Botswana's grey listing which resulted in enhanced due diligence requirements on our accounts, thus further lengthening the time taken to open accounts.

Another challenge that had to be dealt with was the new legislated Know Your Customer (KYC) requirements. These had to be prioritised. Given the importance of KYC. Both from the legislative stand point but also the practical importance of having up to date information about our clients, Bifm came together and made significant strides towards meeting the requirements.

KEY ACHIEVEMENTS

We were delighted with the number of new clients we were able to attract to the Bifm Local Property Fund and the successful launch of the Pre - Retirement Funds, thus achieving the deliverables of our customer value proposition Strategic Pillar.

Also gratifying was the fact that we retained market share (currently estimated at 29%), including retaining all our existing clients in the face of increased competition in a saturated market. Competition within this market has become increasingly tough with numerous new entrants entering the market regularly.

In line with our rigorous and disciplined investment philosophy and process, we conducted a successful and rigorous review of our offshore managers. This clearly demonstrates our commitment to servicing our clients to the best of our ability.

A business like Bifm requires a team that is agile, motivated and well qualified. This makes continuous development of staff, and retention of key staff, absolutely essential. In line with this, we continued with structured leadership and professional development programmes.

On the technology front, we successfully migrated our assets to a Collective Investment Undertaking (CIU) platform, in line with best practice; and updated and refreshed our website to keep it fresh and relevant; a major highlight was the launch of the investor portal, marking a major step towards the digitisation of our platforms.

APPRECIATION

The success of any organisation is always the result of the ongoing support of many players. I would like to pay tribute to those who have played a key role in helping Bifm successfully navigate the challenges faced during the review period.

At the top of the list are our clients. We exist because of them. We thank them for continuing to entrust us with their money. We will continue to grow and develop in tandem for the mutual delight of Bifm and our valuable clients.

Next, I must thank our people for their dedication and hard work, passion, integrity and commitment. Our staff care about the clients they serve. They serve them with patience and enthusiasm in a difficult environment characterised by volatility and low returns.

Within this environment, the support and guidance of the BIHL Group has been invaluable. In particular, I would like to thank the Members of the Board for their unwavering support, guidance and understanding.

Finally, my thanks go to the all the administrators, asset consultants, banks and auditors and other stakeholders with whom we work so well together to ensure we continue to create value for our mutual clients.

People Management

The People Management Agenda in 2019 for the BIHL Group was focused on the following key performance areas:

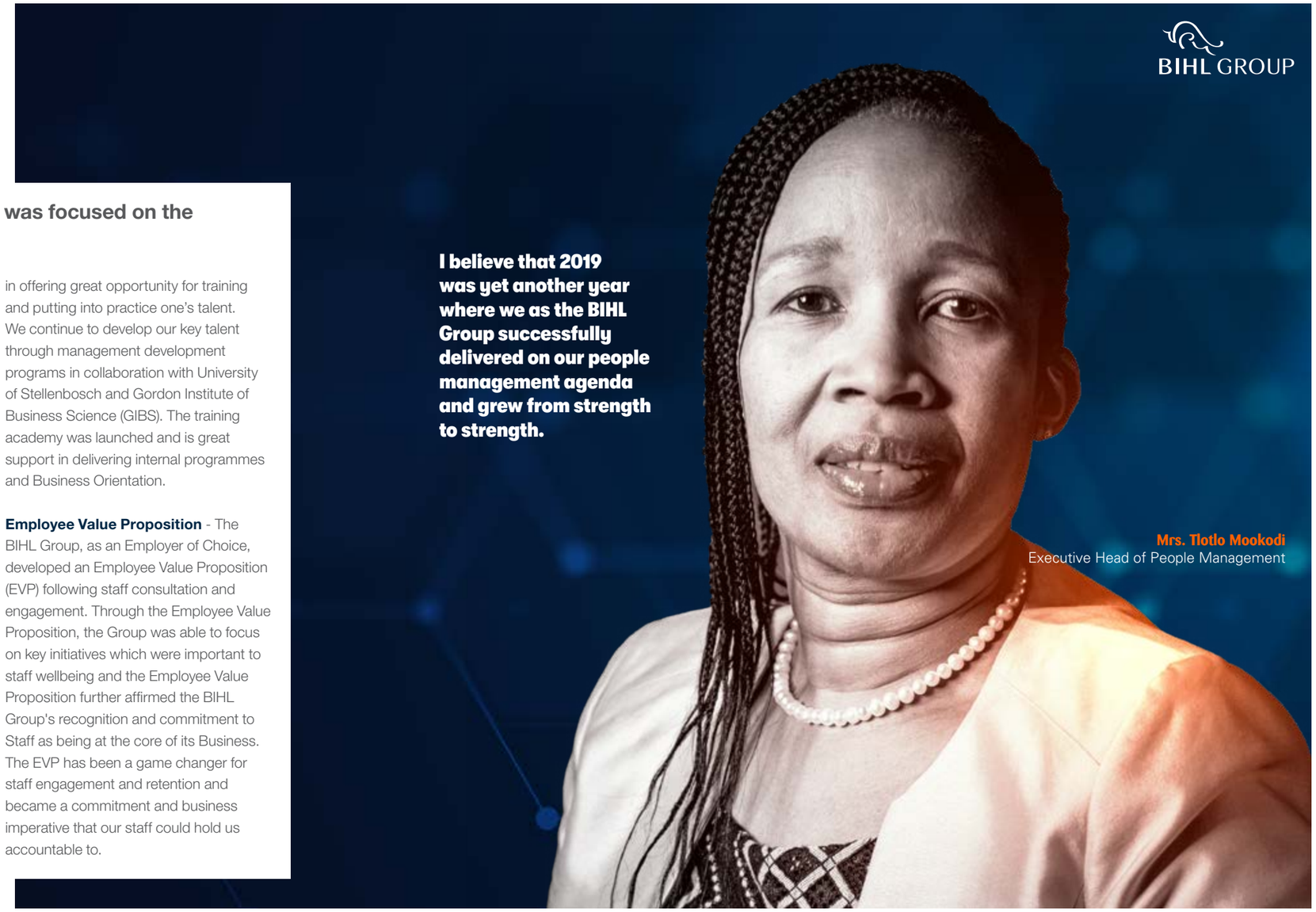
A High-Performance Culture - A new system was launched to enhance managing and monitoring of performance which contributed immensely towards efficiency and driving a High-Performance Culture. The uptake and feedback on the utilisation of the system has been very positive, as not only has the system stopped the use of manual forms, the corporate scorecards are captured on the system and cascaded to staff for alignment. Functionality to draw reports at any time on the system has greatly improved tracking and effectiveness of monitoring performance within the BIHL Group and a culture that promotes personal growth, diversity, accountability, passion and the need to continuously excel and execute with speed and agility.

Another programme Investor in Excellence conducted by The Pacific Institute was also implemented across the Group to assist in driving a consistent organisational culture.

Driving and embedding BIHL Group Core values – the five Core Values being the following: Customer Centricity, High Performance, Collaboration, Innovation & Agility and Corporate Citizenship; are the BIHL Group strategic foundation and meant to give direction and define the tone and strategic change agenda for the Group. The Core Values were cascaded to staff and embedded as part organisational culture, making it easier for staff to resonate with them and live the Values in everything that they do. Living the Values is part of performance management and carries 10% of annual performance management. As part of the BIHL recognition and awards program, staff were able to nominate their peers who lived the Values for the Values Award.

Training and Talent development – a focused approach to training and development of staff resulted in 95% spent on the training budget for the year. Key business training needs being Customer Service, Leadership and Supervisory Development, Ethics, Risk & Compliance were prioritised including support for professional training in Investments, Actuarial, Finance and Life Insurance. Training and development remain a key part of the people agenda and we at BIHL Group pride ourselves in offering great opportunity for training and putting into practice one's talent. We continue to develop our key talent through management development programs in collaboration with University of Stellenbosch and Gordon Institute of Business Science (GIBS). The training academy was launched and is great support in delivering internal programmes and Business Orientation.

Employee Value Proposition - The BIHL Group, as an Employer of Choice, developed an Employee Value Proposition (EVP) following staff consultation and engagement. Through the Employee Value Proposition, the Group was able to focus on key initiatives which were important to staff wellbeing and the Employee Value Proposition further affirmed the BIHL Group's recognition and commitment to Staff as being at the core of its Business. The EVP has been a game changer for staff engagement and retention and became a commitment and business imperative that our staff could hold us accountable to.



I believe that 2019 was yet another year where we as the BIHL Group successfully delivered on our people management agenda and grew from strength to strength.

Mrs. Tlotlo Mookodi
Executive Head of People Management

The EVP has six Pillars of Reputation, Leadership, Growth, Reward, Connectedness and Balance and each Pillar had initiatives that were implemented successfully as shown below:

1. REPUTATION

- Launching and cascading of Group Core Values
- Roll out Ethical Behaviour training

2. LEADERSHIP

- Leadership development for effective leadership and driving performance
- Supervisory development training

3. GROWTH

- Offer cross functionally and intercompany opportunities
- Training policy support to staff in attaining various professional qualifications

4. REWARD

- Promoting staff recognition and reward programme
- Remuneration review

5. CONNECTEDNESS

- Driving collaboration efforts across the Group
- Encouraging a culture of participation within the community

6. BALANCE

- Promoting awareness on rest periods
- Supporting wellness and sporting activities

3.

Sustainability Review

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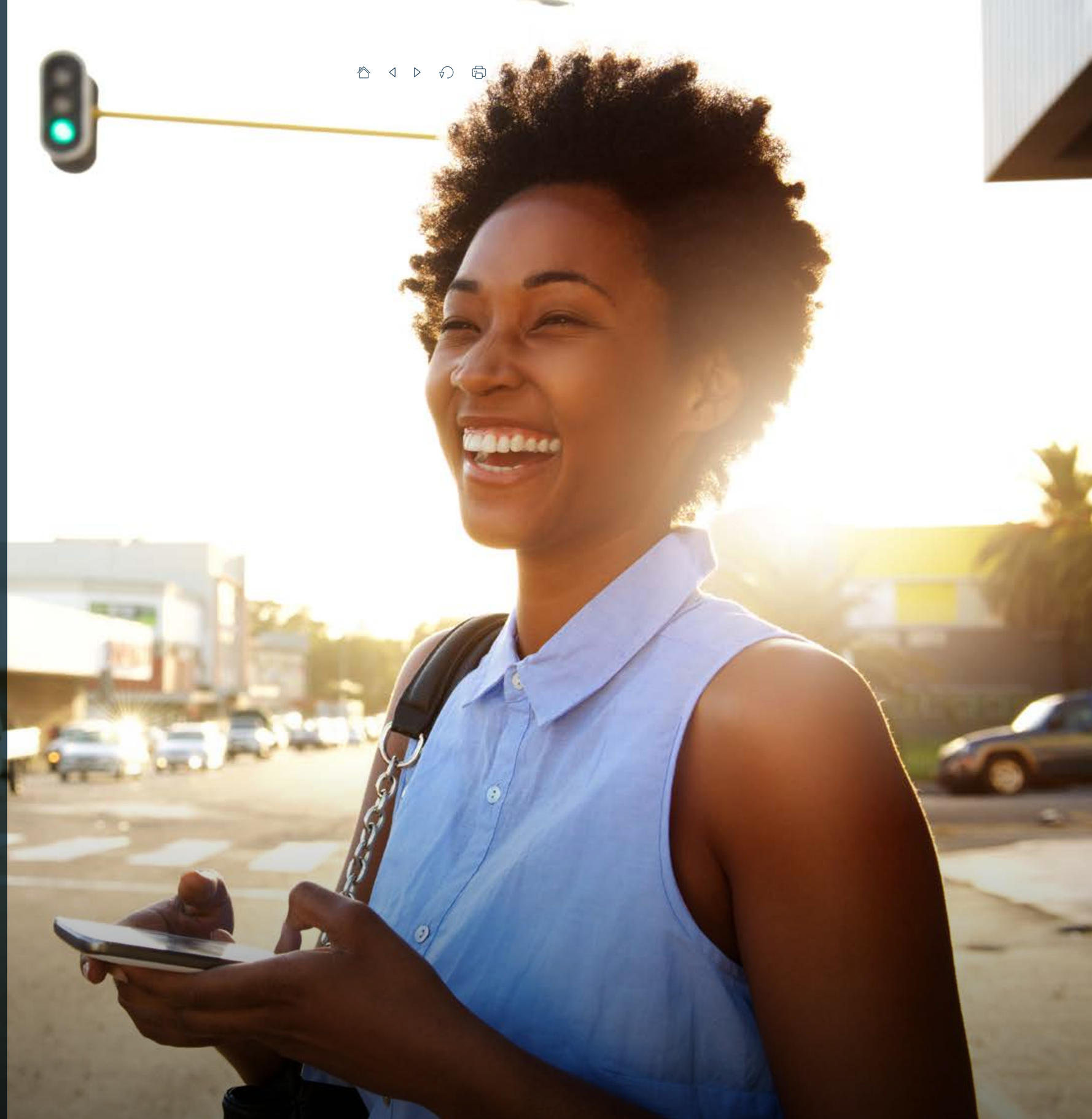
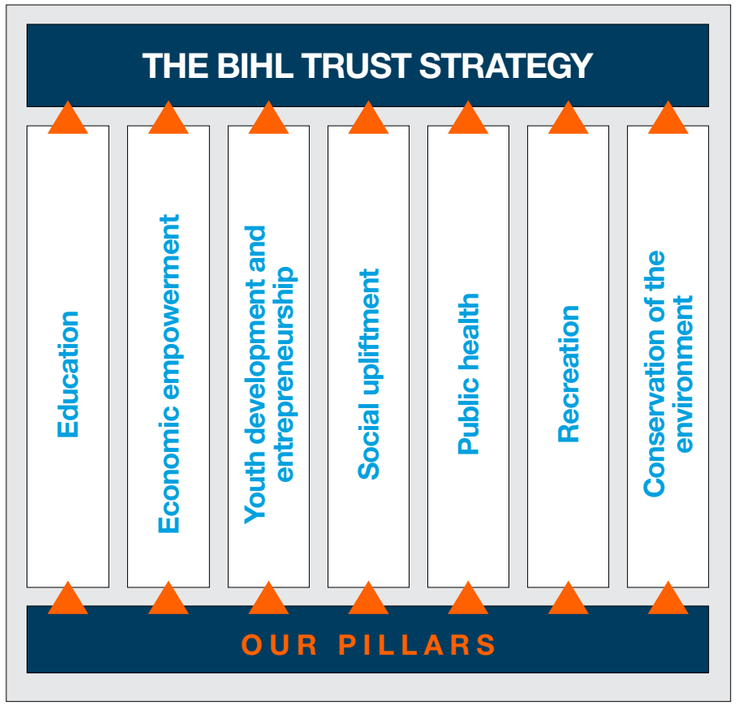
82 Management Team



BIHL Trust Chairman's Report

The BIHL Trust's Mission is to use the annual 1% of net profit contribution from the Group's Subsidiaries to alleviate suffering and uplift the lives of the average Botswana citizen. In terms of the BIHL Trust Charter, the below are the initial seven focus areas:



Ms. Ngwatshi Enyatseng
The BIHL Trust Chairman

The Trust's Strategy was reviewed during the period under review. This was with a view towards building on the lessons learned during the past five years and building on notable successes and areas of greatest impact.

Of the many projects undertaken by and contributed to by the BIHL Trust over the past few years, it has become clear that our focus on Education and Youth Development and Empowerment delivered results that have more than met our expectations in terms of the sustainable impact made on the lives of those we have touched.

BIHL Trust Chairman's Report (Continued)

We are particularly proud of the Adopt-a-School project we have been involved with in co-operation with the Ministry of Basic Education over the past several years. The initial focus on the project was to install libraries at some primary schools. However, we soon came to realise that more was needed: libraries are of little use if the children who are supposed to benefit from them cannot read with understanding at a level that is commensurate with their age. This was reflected in the poor results the 11 schools the Trust had adopted achieved in the annual Primary School Leaving Examinations (PSLEs).

(see Table 1 on Page 70)

Recognising that children who are unable to read with understanding are less able to achieve their full potential, we rolled out a comprehensive literacy project at each school in partnership with Stepping Stones, an international literacy development organisation, and the University of Utah. This "Breakthrough English" literacy training marked the first joint collaboration of the private and public sectors in this field in Botswana, providing teachers with advanced literacy education training. The results have been nothing short of phenomenal, with some of the schools achieving an almost 100% pass rate in the latest Primary School Leaving Examinations (PSLEs) since then.

Our other educational flagship project, the Professor Thomas Tlou Scholarship, also continued successfully. Over the years, the programme has provided funding for 29 post-graduate students, most of whom have since graduated. We anticipate that the last of these scholarship recipients will complete their studies in 2020, dependent on the COVID-19 pandemic's impact on the tertiary education sector.

As regards our focus on Youth Empowerment and Entrepreneurship, we are pleased to have seen progress made. This is, for example, with the highly successful involvement with the Lesoma Bakery, as well as for a subsequent project that was initiated in late 2018 in partnership with Botswana Innovation Hub (BIH) for App development. For the latter, young software developers were invited to create a combination gaming-educational App that could be utilised by the BIHL Group to deliver financial literacy to users as well as to enable them to access the products and services of the BIHL Group companies. By the end of 2019, the App had entered its final testing phase. We hope to be able to roll it out to the general public within the year 2020.

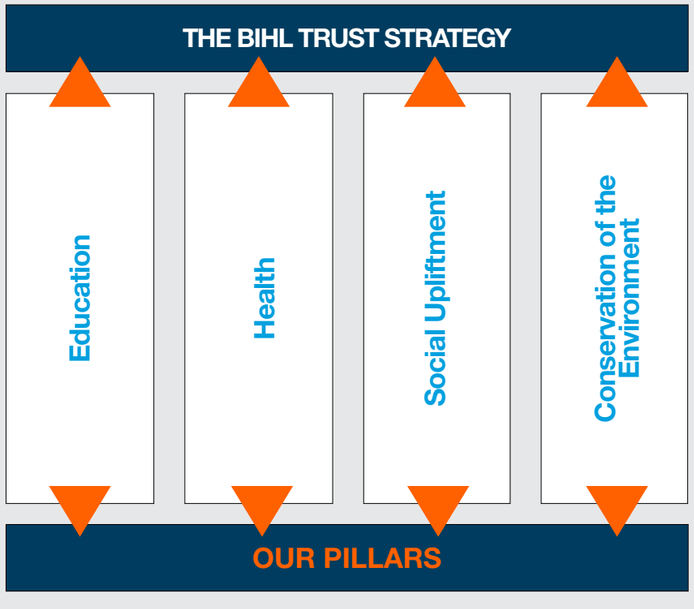
Other projects to which the Trust contributed involved Social upliftment. This included a P1.5 million donation to a Government-private sector initiative to provide housing to those in need of decent shelter.

Our focus on the Environment was addressed in various ways through our supporting a host of "green" initiatives. This ranged from a donation to the Khama Rhino Sanctuary to assist with their anti-poaching efforts, to an innovative water harvesting project at a car wash, the promotion of 'backyard gardening" and recycling projects.

Through it all, the Trust has been at the forefront of supporting Botswana's heritage through its support of the Arts and Culture.

Details of just some of the projects in which the Trust has been involved are outlined on page 72 "BIHL Tust Projects."

Looking ahead, the Trust will hone its efforts to focus on just four key areas, for we believe these will help us ensure more targeted and sustainable impact. These are:



We believe that this more focused direction will enable us to target our efforts at projects that align more closely with the Group's overall Sustainability Strategy. However, this does not mean that the Trust will no longer support smaller projects within the communities in which we serve. We are fully cognisant of our responsibility to these communities but we believe that the bulk of our funds should be directed at projects with longer-term sustainable outcomes, and striking this balance will remain key to our future.

A major challenge of any fund that sponsors and supports projects is identifying those projects that have been designed to address a real need in a sustainable way. The BIHL Trust is no different.

While the vast majority of projects that have been supported by the Trust over the past few years have met our expectations, there has been a handful that have not delivered the results we had hoped for. We remain cognisant of the difficulties faced and opportunities presented, and are putting structures in place that will enable us to use our limited resources as best as we can to ensure that the projects we undertake that are viable and well-thought-through.

We are also looking at ways to work smarter with our project partners and collaborators so as to avoid delays in project execution as far as possible, particularly where these may stand to affect our ability to deliver sustainable impact.

APPRECIATION

On behalf of the BIHL Trust board, I would like to thank the founding members of the Trust, the former Chairman Major General Bakwena Oitsile and Mr. Kingsley B. Sebele with whom I was fortunate to work with since I first joined the Trust Board in 2013. Their guidance and support over the years imparted to me has been invaluable as I take up the reins to steer the Trust into the future.

I would also like to thank the Subsidiaries of the BIHL Group, their leadership and their staff, for their ongoing support and ever-insightful advice and suggestions.

Finally, I would like to welcome the new Trustees of the BIHL Trust's Board, and thank them for the commitment they have already shown to the Trust as we start a new chapter in our existence. There is a bright future ahead for us and our communities as we continue to ensure true focus and courage of conviction for all that we do.

Re a leboga.

> **"The BIHL Trust has always sought to ensure that the work we do does not only deliver impact, but provides truly sustainable impact and ushers meaningful progress for all."**

The BIHL Trust Projects

The BIHL Trust receives 1% contributions from the Group's subsidiaries which it invests in various community projects.

What follows here is just a glimpse at some of the key projects supported by the BIHL Trust and the results achieved to date.

EDUCATION

Primary School Literacy Programme

This revolutionary "Teach-the-Teachers" training programme's roots lay in the BIHL Trust's donation of libraries to six primary schools in remote areas and recognition that literacy is a prerequisite for the successful utilisation of libraries.

The BIHL Trust partnered with Stepping Stones International (SSI) and the Ministry of Education and Skills Development (MoESD) to engage with the University of Utah Reading Clinic (UURC) to deliver two separate literacy professional development sessions to 36 educators from six primary schools from the BIHL Trust adopted schools.

This was the first step in rolling out an evidence-based literacy programme, which was subsequently extended to 11 schools.

The training received by the educators was intensive but practical. They were enthusiastic and quickly caught on to the routines and concepts being taught. They also expressed their willingness to share what they had learned with their colleagues.

The benefits of this programme have been reflected in an upward trend in the results of the annual Primary School Leaving Examinations (PSLEs) at most of the participating schools. In 2013, the year just prior to the introduction of the programme, Mafetsakgang School recorded a 44% pass rate. This jumped to 74% in the following year and in 2019, a pass rate of 86.5% was achieved. Chakaloba School achieved a similarly impressive improvement with the pass rate increasing from 45% in 2013 to 75% in 2019; Tshwaragano School improved from 58.7% to 63.6%; and Manthabakwe School's pass rate rose to 68.5% from 54%.

However, some schools have not exhibited the same levels of improvement overall, with a few even experiencing a decline in performance. The reasons for this had to do with social issues which the schools tried to address as best as they could.

PRIMARY SCHOOL	2013	2014	2015	2016
Tshwaragano	58.70%	57.10%	64.80%	69.30%
Cwaanyaneng	100%	73%	88.90%	90.90%
Mafetsakgang	44%	74%	72%	69.50%
Chakaloba	45%	65%	70%	61%
Mogobane	88.90%	80%	69.20%	49%
Serinane	64%	67%	47.60%	52.60%
Goshwe	50%	48.40%	54.40%	52%
Nokaneng	44.80%	47.30%	36.50%	
Kuke	33%	23%	9.60%	17%
Manthabakwe	54%	53%	61%	50%
Bopaganang	n/a	n/a	n/a	

Table 1 Schools' PSLEs performance trends over time

The BIHL Trust Thomas Tlou Scholarship

The BIHL Trust launched the BIHL Trust Thomas Tlou Scholarship in September 2011 in commemoration of Professor Thomas Tlou, the former University of Botswana Vice-Chancellor and renowned historian and educationalist.

The Scholarship benefits talented young Batswana between the ages of 18 and 35, and with aspirations to pursue postgraduate studies in any discipline aimed at contributing to Botswana's socio-economic development.

Since its inception, the Scholarship has been awarded to a total of 29 recipients to undertake a wide range of post-graduate studies. This is mostly at the University of Botswana, with some at other institutions in Botswana and abroad.

Of these, 12 have successfully completed their studies and 11 are still working towards completion of their degrees. Regrettably a total of six "dropped out" before completion of their studies for a variety of personal reasons.

ENTREPRENEURSHIP

Lesoma Bakery

In 2016, the BIHL Trust undertook to support a bakery project in Lesoma, in the Chobe District. The support was in the form of installation of electricity through BPC, and the provision and installation of bakery equipment. This bakery was a community project that was managed by women from the village, who had been supplying bread to schools in the Chobe District but needed to increase their supply to cover more Government agencies.

This initial investment grew as the Chobe Council regulations required the oven to be placed on a specially constructed stand. The project has been an ongoing success. It is fully registered and operational. The team starts work at 2am every day to prepare the loaves, Mapakiwa and fat cakes ready for delivery to the local school and other customers in town.

ENVIRONMENT

BIHL Market Garden

Three unemployed women from the Bontleng area were given the opportunity to establish and maintain a market garden with the BIHL offices, in Fairgrounds Office Park. This garden provides fresh produce that is sold at a popular quarterly Market Day for the BIHL Group staff. Old newspapers from the BIHL Group were also donated to Gladys Ramakone, a lady from Thamaga Village, to make pottery and was also sold at the Market.

In order to prepare the women for establishing the market garden, the BIHL Trust sent them on a one-day course on gardening at Notwane Farms hosted by a renowned local organic farmer. The Trust also established a shade netting area with raised seed beds for planting.

The first crops were planted in October 2017 and the women maintain the garden four times a week, producing a regular supply of tomatoes, carrots, spinach and spring onions and were all sold at the BIHL Market Days to staff.

ARTS AND CULTURE

Over the years, the BIHL Trust has supported many events and projects that celebrate Botswana's rich cultural and artistic heritage.

A highlight of these endeavours was the Trust's contributions to the activities and events that formed part of Botswana's 50th Independence Day celebrations in 2016. These included establishment of a "heritage trail" along Gaborone's Independence Avenue.

The heritage trail told the journey of Botswana's growth and development through key milestones illustrated for the traveller or commuter to enjoy. Progressing along the historic route past the National Museum, the heritage trail provided a journey through the years, using art and photography to share captured moments of a nation that rose from a humble beginning to a veritable success story on the African continent.

The project was championed by the Ministry of Youth, Sport & Culture (MYSC), but it was BIHL Trust sponsorship that enabled it to come to life, and it was a privilege to be involved.

Also in 2016, the Trust sponsored the prizes at both the official opening of the National Art, Basket and Craft Exhibition the National Museum, as well as for the President's Day Competitions. Prizes for the competitions, which celebrated artistic excellence, were awarded across a host of categories including traditional Poetry, Leatherwork, Woodcarving, Beadwork, Lekgapho, and Basket Weaving.

> **"Only in giving back to our communities we can change our socio economic progress."**

Corporate Social Investment

Little Things Big Difference Book Donation

As part of our bid to promote financial literacy, Bifm donated financial literacy booklets to Serinane and Metsimotlhabe Primary Schools in the Kweneng District. The booklet, titled 'Little Things, Big Difference', was developed to educate children about money management and wealth creation. We believe that financial literacy is not something reserved for those with financial muscle or the old, but rather is necessary for all. The ability to manage personal finances and make the right financial decisions is something that everyone, including children, should learn.

It is never too early nor too late to start teaching kids about money, to ensure that they grow into financially responsible adults. Good skills, that are acquired at an early age, can have a lasting impact. This is one of the most important areas where one can truly change the course of a child's life.

The BIHL Trust Partners With Power Circle Group

Following the December 2018 announcement of Power Circle Group (PCG) as the official winner of the BIHL Trust #AppForChange Mobile App development competition, the BIHL Trust has officially entered into a partnership with PCG. Through this partnership, PCG has been contracted to develop a Mobile App for the BIHL Group. The App will serve as a key communications platform for the financial services group, as well as, more significantly, a vehicle through which to educate Batswana on matters of financial literacy. The youth-owned PCG, which comprises of, Fredrick Moyo, Misha Jonas and led by Letshibogo Ramadi intends, to deliver the App within 2020.

The BIHL Trust Boxes of Love Travel to Otse to Show the Love!

The annual BIHL Trust Boxes of Love initiative continues to grow with every passing year, and with a dedicated effort to grow impact with every handover. This year's Boxes of Love initiative saw the BIHL Group coupled with staff from Botswana Insurance Company (BIC) to hand over specially curated Boxes of Love - including toys and trinkets deemed perfect for a child, both gender and age appropriate - to kids in Camphill in Otse village. The gifts were shared as part of a fun day with learners from Rankoromane and Legodimo. Children spent the day playing with staff of BIHL Group, The BIHL Trust and BIC.

The BIHL Trust Lights it up Blue for Autism

The BIHL Trust remains steadfast and committed to making a positive impact, as well as a true and lasting difference for the people and communities of Botswana. In this vein, The BIHL Group's Corporate Social Investment (CSI) arm commemorated World Autism Day through an Autism Awareness Walk in collaboration with Autism Botswana on the 2nd of April. The BIHL Trust in collaboration with Autism Botswana marched in solidarity with the autism community and supporters in the 3km Autism Awareness Walk, which was centered within the Central Business District (CBD) area. The BIHL Trust has partnered with BIC to assist Autism Botswana in raising awareness on Autism Spectrum Disorder. The Autism Awareness Walk is one of the initiatives of The Trust to promote awareness and inclusion for people living with and affected by autism.

Corporate Social Investment (Continued)

The BIHL Group Backs Orapa Diamond Golf Challenge and Expo

In its continued pursuit to uplift communities across Botswana, the BIHL Group was named as the Diamond Sponsor in the 2019 Orapa Diamond Gold Challenge (ODGC). The ODGC is an annual golfing event first introduced in 2018, and was in 2019 sponsored by the BIHL Group and Subsidiaries – Botswana Life, Bifm and Legal Guard – to the tune of P301,000.00. The BIHL Group's Head of Business Development & Stakeholder Management, Mr. Thomas Masifhi said, "As the BIHL Group, it brings us great pride to serve as the Diamond Sponsor of the Orapa Diamond Golf Challenge this year. We are passionate about our people and enriching the communities in which they exist."

The BIHL Trust Supports Prizegiving Ceremonies at 11 Schools

Continuing in its efforts to support local schools in Botswana, premised on the belief that education is our very future, The BIHL Trust supported prizegiving ceremonies at the 11 adopted schools countrywide.

The BIHL Trust delivered gifts to the Best Performing Student in each class from Standards 1 to 7. The gifts shared with students included a ruler set, money box, pencil case and a lunch box. The BIHL Trust's Ngwatshi Enyatseng, a Trustee, shared a motivational speech with students and teachers present. She encouraged the students to never stop pursuing more knowledge, and indeed greater knowledge. She further implored parents to be more involved in their children's academics, for the role of a parent in the emotional, cognitive and academic journey of a child is immeasurable.

The BIHL Trust Awards Excelling Cwaanyaneng Primary with P50,000 Prize

In alignment with its continued pursuit to uplift local communities and improve education and skills across Botswana, the BIHL Trust awarded the winner of the Trust's Primary School Leaving Examinations (PSLE) Challenge. The BIHL Trust hailed Cywaanyaneng Primary School as the winner of the PSLE competition during an awarding ceremony on March 13th at Cywaanyaneng Primary School. The BIHL Trust adopted 11 primary schools, which competed amongst themselves in the recent 2018 PSLE examinations. Cywaanyaneng Primary School came on top winning the challenge with a 100% ABC pass rate. The BIHL Trust awarded the stellar primary school with a grand Prize of P50,000.00 worth of stationary equipment based on their meritorious results.

Driving Botswana's Future to the Finish Line: BIHL Trust Donates Sport Kit Towards Special Olympics Botswana

The BIHL Trust, donated a sporting kit to Special Olympics Botswana on March 5th 2019. The BIHL Trust Chairman, Major General Bakwena Oitsile said, "As The BIHL Trust our people lay at the heart of everything that we do. Our communities and people play a large factor in our existence and success. Therefore, we have a responsibility to uplift and empower the people of Botswana which is why our sporting kit donation to Special Olympics Botswana is of the utmost importance."

Board of Directors

KEY:

- Audit & Risk Committee
- Investment Committee
- Nominations Committee
- Human Resources Committee
- Independent Review Committee
- + Executive
- ++ Non-Executive
- +++ Independent Non-Executive

Batsho Dambe-Groth +++
Board Chairman

Nationality: Motswana

Born: 1966

more info on page 78

Catherine Lesetedi +
Group Chief Executive Officer

Nationality: Motswana

Born: 1967

more info on page 78

Chandra Chauhan +++
Board Member

Nationality: Motswana

Born: 1963

more info on page 78

John Hinchliffe +++
Board Member

Nationality: British

Born: 1957

more info on page 79

Gerrit van Heerde ++
Board Member

Nationality: South African

Born: 1968

more info on page 79

Andre Roux ++
Board Member

Nationality: South African

Born: 1962

more info on page 79

Mahube Chilisana Mpugwa +++
Board Member

Nationality: Motswana

Born: 1968

more info on page 80

Lt. Gen. Tebogo Carter Masire +++
Board Member

Nationality: Motswana

Born: 1956

more info on page 80

Andrew Willis Cartwright
Board Member

Nationality: South African

Born: 1958

more info on page 80

Gaffar Hassam
Board Member

Nationality: Malawian

Born: 1976

more info on page 81

Kobus Vlok
Board Member

Nationality: South African

Born: 1959

more info on page 81

Kudakwashe Mukushi
Board Member

Nationality: Zimbabwean

Born: 1976

more info on page 81

Board of Directors (Continued)

Batsho Dambe-Groth
Board Chairman

Batsho Dambe-Groth was appointed to the BIHL Group Board as an Independent Non-Executive Director and Chairman of the HR Committee on 25 March 2008. Following an acting period from 01 January 2009, she was appointed Chairman of the Board in March 2010. She is the Managing Director of Resource Logic which consults to a wide range of organisations on Human Resources and business solutions.

She began her career with De Beers Botswana and has progressed in the human resources field working in the mining, parastatal, insurance and financial services sectors. Mrs. Dambe-Groth joined the BIHL Group in 1994 and by the time of her resignation in 2003 had worked her way up to the position of Assistant General Manager, Support Services.

She has a BSc (Hons) Occupational Psychology from the University of Wales Institute of Science and Technology and is a Fellow of the USA Fulbright Humphrey Programme. She is a Certified Global Remuneration Professional from the World at Work (USA) compensation organisation.

Mrs. Dambe-Groth is a Director of Botswana Oil and Chairs the Human Resources and Nominations Committees. She is also a Director of Botswana Craft Marketing, Etsha Weavers Group, Boitekanelo, Loapi, Gems of Kalahari, and is a Council Member of Maru-a-Pula School.

Catherine Lesetedi
Group Chief Executive Officer

Catherine Lesetedi is the Group Chief Executive Officer of the BIHL Group, appointed in March 2016. Ms Lesetedi first joined the BIHL Group in June 1992 as a Supervisor and was subsequently promoted first to the position of Assistant Manager in 1998 and then Divisional Manager in 2000. She spent some three years with AON Botswana between 2004 and 2007 as Senior Accounts Executive and then to General Manager of Life and Employee Benefits before returning to Botswana Life Insurance Limited as Head of Corporate and High Value Business. In 2010 she was appointed Acting Chief Executive Officer and then CEO of Botswana Life, a position she held until February 2016 when she was appointed to her current position.

Ms. Lesetedi serves on the Boards of Botswana Insurance Holdings Limited, Funeral Services Group Limited, Bifm Capital Investments Fund One, Botswana Insurance Company Limited, Nico Life, Nico Pensions Services Limited, and Nico Holdings and Letshego Holdings Limited.

She holds a BA in Statistics and Demography from the University of Botswana, a Masters in Development Practice from the Graduate School of Business at the University of Cape Town (UCT) as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies from University of South Africa (UNISA). In July 2014 Ms. Lesetedi participated in the Sanlam Executive Leadership Programme through the Gordon Institute of Business Science (GIBS). Ms. Lesetedi is also an Associate of the Insurance Institute of South Africa (AIISA).

Chandra Chauhan
Board Member

Chandra Chauhan is the Group Managing Director of Sefalana Holding Company Limited, a listed company on the Botswana Stock Exchange, having been appointed to its Board in 2003 and as its Group Managing Director in July 2004. He is also a Director of various other companies.

A naturalised Botswana citizen, he was appointed to the BIHL Board on 20 April 2009.

Mr. Chauhan, a Chartered Accountant, is a very successful entrepreneur and respected businessman who has been credited with turning around and restructuring Sefalana, whose market capitalisation has increased from P64 million in 2004 to just over P2.26 billion under this stewardship.

Mr. Chauhan has a B. Acc (Hons) from the University of Zimbabwe, ACA (England & Wales) and ACA (Botswana).

John Hinchliffe
Board Member

John Hinchliffe heads John Hinchliffe Consultants, an accounting and consulting practice in Gaborone. He was appointed to the BIHL Board on 1 June 2010. He is also Chairman of Legal Guard and a member of Legal Guard Audit and Risk Committee

Mr. Hinchliffe began his career as an accountant at Coopers and Lybrand in London, before being seconded to the firm's Botswana office in 1982. Thereafter, he worked for two other Botswana companies before establishing his own consultancy in Gaborone. He then joined DCDM Botswana, a multi-disciplined professional services firm, as Managing Director before re-establishing his consulting firm in 2005

He is also a Director of various other companies, including Development Securities (Pty) Limited; Nsenya (Pty) Limited; Portion 84 Mokolodi Sanctuary (Pty) Limited; Botswana Insurance Company Limited where he is also Chairman of the Audit Committee; Mokolodi Utilities (Pty) Limited; Camphill Community Trust; and Chairman of RDC Properties Limited Audit Committee.

He has a BA (Econ) Honours degree from Manchester University and is a Fellow of the Botswana Institute of Chartered Accountants (BICA) as well as a Fellow of the Institute of Chartered Accountants in England and Wales.

Gerrit van Heerde
Board Member

Gerrit van Heerde is the Executive responsible for Client Solutions at Sanlam Pan Africa Life. He was appointed to the BIHL Board on 30 June 2015 and resigned with effect 15 October 2019 due to a change in his responsibilities.

Mr. van Heerde joined Sanlam in 1993 and held various positions throughout the Sanlam Group before assuming his current role in January 2019.

Mr. van Heerde serves on the Board of Letshego Holdings Limited and is in the process of being appointed on the boards of the Sanlam Group's life insurance subsidiaries in the CIMA region.

Mr. van Heerde has a B. Com degree from the University of the North West, an Honours degree from Stellenbosch University and an EDP from Manchester Business School. He is a Fellow of the Institute and Faculty of Actuaries in the UK and of the Actuarial Society of South Africa.

Andre Roux
Board Member

André Roux is the current CEO of Sanlam Emerging Markets Portfolio Management (SEMPM). Previously he was Chief Investment Officer of Sanlam Emerging Markets (2012 – 2018) and also the Chief Investment Officer of Sanlam Investment Management Namibia.

Mr. Roux headed the Fixed Interest team in South Africa for nine years, during which time he was also a member of Sanlam's Investment Management's Asset Allocation, Credit and Asset and Liability Committees.

He was appointed to the BIHL Board on 4 July 2013.

He holds a B.Com (Hons) (Economics) from University of Stellenbosch and an EDP qualification from Manchester Business School.

Board of Directors (Continued)

Mahube Chilisana Mpugwa
Board Member

Mahube Mpugwa is the Executive Director and General Manager of Puma Energy Botswana (formerly BP Botswana), having held that position since 2008. Prior to that he held several positions within BP Botswana and BP South Africa, where he was responsible for Strategic Communications and Government Relations. He has also worked for the Botswana Development Corporation (BDC).

He is a MBA graduate from Strathclyde University and a BA (Hons) degree holder from the University of Windsor, Canada.

Mr. Mahube is a Director of Master Timber (Pty) Ltd, as well as of Colmar (Pty) Ltd, Woolworths Botswana and BSE-listed Shumba Energy.

Lt. Gen. Tebogo Carter Masire
Board Member

Lieutenant General Masire is the former Commander of the Botswana Defence Force. He is one of the founding members of the SADC Standing Aviation Committee and also a founding Board member of the Civil Aviation Authority of Botswana (CAAB).

He was appointed as an Independent Non-Executive Director of the BIHL Group on 21 August 2015.

He holds a Diploma and BSc from Troy State University and an MBA from the University of Southern Queensland Australia.

Lieutenant General Masire serves as the Chairman on the Air Botswana Board, Chairman of the Botswana Stock Exchange Limited as well a Board member of House Maintenance, BelServest and THC Foundation. He is also a member of the Vision 2036 Council and Patron of Botswana Sports Foundation Trust.

Andrew Willis Cartwright
Board Member

Andrew Willis Cartwright was appointed to the BIHL Board, effective 28 May 2019. He is a former General Manager of Protection Solutions at Old Mutual, a position he held before retiring from the corporate world in 2015. Prior to that, he was Chief Operating Officer for Old Mutual - Group Schemes where he held a wide range of responsibilities including risk management, IT, and client services.

During his long career in the finance sector, he served in various industry and professional bodies in South Africa and India. Currently, Mr. Cartwright volunteers in LEAP Science and Math Schools, as well as assisting in an insurance start-up.

He received his Bachelor of Business Science Honours degree from the University of Cape Town. He completed the Senior Management Programme at the University of Stellenbosch and the Old Mutual Leadership Programme from London Business School. He also attained professional qualifications from the Financial Planning Institute (South Africa), and received Fellowships from the Institute and Faculty of Actuaries (UK) and from the Actuarial Society of South Africa, as well as the Institute of Actuaries in India.

Kobus Vlok
Board Member

Mr. Kobus Vlok is Sanlam's Emerging Markets Chief Executive of Distribution Support, a position he has held since January 2019. His role includes providing Life Distribution to all the Africa businesses in the SEM cluster.

He was appointed to the Botswana Life Insurance Limited Board, on 14 June 2019.

Mr. Vlok has over 25 years' experience as head of distribution channels and divisions in the South African financial services industry. He has served on the Boards of public and private companies in Life Insurance, Linked Investments and Unit Trusts, Health Insurance, Home Loans, Distribution Services and Brokerage businesses in various capacities such as Executive Director, Non-Executive Director and Chairperson.

Mr. Vlok has previously worked for MCIS Insurance Berhad (Sanlam Life Insurance company in Malaysia) as a Chief Executive Officer and for Sanlam Personal Finance as a Chief Executive of SPF Distribution. He has also been the Executive Director of Sage Life Ltd as well as the Senior Personal Research Officer of Standard Bank Group South Africa.

He holds a Bachelor of Commerce degree from the University of Pretoria, an MBL in Strategic Planning & Business Leadership from the University of South Africa, and a Post Graduate and Advanced Post Graduate Diploma in Financial Planning from the University of Free State.

Gaffar Hassam
Board Member

Gaffar Hassam is an Executive at Sanlam Pan-Africa Life. He became a Member of the BIHL Group Board on 1 December 2011.

He joined the BIHL Group in 2003 and during his 13-year tenure with the Group, held the positions of Chief Executive Officer (CEO), Chief Finance Officer, Chief Operating Officer, Company Secretary, Head of Finance and Actuarial Services, and Finance Manager.

Mr. Hassam started his career with PwC in Malawi and was transferred to the firm's Botswana office in 2000. He has an MBA (Oxford Brookes) and is a Fellow of the Association of Chartered Certified Accountants (FCCA).

Mr. Hassam is also a Director of Masawara Investments Mauritius Limited, Sanlam Namibia Holdings, Sanlam Namibia Limited, Sanlam Consolidated Life Assurance Limited, Sanlam Financial Solutions Limited, Sanlam Namibia Trust Managers Limited, Sanlam Life (Zambia) Limited, Zimnat Lion Insurance Company Limited, Zimnat Life Assurance Company, NBS Bank Limited, Nico Holdings Limited and Grand Reinsurance Limited.

Kudakwashe Mukushi
Board Member

Kudakwashe Mukushi joined the BIHL Group in 2013 as the CFO of Botswana Life Insurance Limited and was promoted to the position of Group CFO at the BIHL Group in April 2017. He has over 18 years of experience across various industry sectors including Banking, Reinsurance, Pension Funds, Life Insurance and Retail & Energy Sectors.

He represents the BIHL Group on various Boards and Board Committees in investee companies.

Mr. Mukushi is a Chartered Financial Analyst (CFA) Charter holder, one of approximately 20 in Botswana, and a Fellow of the Association of Certified Chartered Accountants (ACCA).

Management Team

Catherine Lesetedi
Group Chief Executive Officer

Nationality: Motswana

Born: 1967

Catherine Lesetedi was appointed as the Group Chief Executive Officer (CEO) of the BIHL Group in March 2016. She first joined BIHL Group in June 1992 as a Supervisor. She was subsequently promoted to the position of Group Assistant Manager in 1998 and then became Divisional Manager in 2000.

In October 2004, she left Botswana Life and joined AON Botswana as Senior Accounts Executive, rising to become that company's General Manager of Life and Employee Benefits two years later. In 2007, she returned to Botswana Life Insurance Limited as Head of Corporate and High Value Business; and in March 2010 was appointed as Acting Chief Executive Officer (CEO) of the company. Her appointment as CEO was confirmed in July 2010, a position she held until being promoted to her current role.

Ms. Lesetedi currently serves on the Boards of the BIHL Group, Funeral Services Group Limited, Bifm Unit Trusts, Bifm Capital Investments Fund One, Botswana Insurance Company Limited, LKCT Charitable Trust, Nico Life, Nico Pensions Services Limited, Nico Holdings and Letshego Holdings Limited. She is the Chancellor of Ba Isago University.

She holds a BA in Statistics and Demography from the University of Botswana, and a Masters degree in Development Practice from the Graduate School of Business at the University of Cape Town (UCT) as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies from University of South Africa (UNISA). In July 2014, Ms. Lesetedi completed the Sanlam Executive Leadership Programme through the Gordon Institute of Business Science (GIBS). She is also an Associate of the Insurance Institute of South Africa (AIISA).

Kudakwashe Mukushi
Group Chief Financial Officer

Nationality: Zimbabwean

Born: 1976

Kudakwashe Mukushi joined the BIHL Group in 2013 as the CFO of Botswana Life Insurance Limited and was promoted to the position of Group CFO at the BIHL Group in April 2017. He has over 18 years of experience across various industry sectors including Banking, Reinsurance, Pension Funds, Life Insurance and Retail & Energy Sectors.

He represents the BIHL Group on various Boards and Board Committees in investee companies.

Mr. Mukushi is a Chartered Financial Analyst (CFA) Charter holder, one of approximately 20 in Botswana, and a Fellow of the Association of Certified Chartered Accountants (ACCA).

Ronald J. Samuels
Chief Executive Officer, Botswana Life

Nationality: South African

Born: 1969

Ronald J. Samuels was appointed Chief Executive Officer of Botswana Life Insurance Limited in November 2018. Prior to this, he held various senior leadership positions within the financial services sector over the past 25 years, starting in distribution at Old Mutual before joining the Sanlam Group in 2000.

After being appointed as Sanlam's Provincial Manager for the Western Cape, he held numerous senior positions within the group over the years including Head of Sanlam Connect, General Manager Sanlam Employee Benefits, Managing Director of FIN Q Financial Services (wholly owned by Sanlam), General Manager Broker Division and Chief Executive Officer of Sanlam Trust.

He also served on various Boards (Sanlam Trust, Sanlam Wealth Smiths and Sanlam Glacier) during this period.

Mr. Samuels holds a Post graduate Diploma in Management Practices from the Universities of Cape Town and Melbourne, Australia. He has completed various leadership programmes ranging from Management Development to Senior Management, from the University of Stellenbosch Business School.

Thereafter, he completed his Executive Leadership Development Programme at GIBS Business School. He is currently enrolled at Henley Business School, in his final year of the Executive MBA.

He currently serves on the Boards of Botswana Life Insurance Limited and that of the Botswana Insurance Holdings Limited (BIHL) Trust.

Neo Bogatsu
Chief Executive Officer, Bifm

Nationality: Motswana

Born: 1975

Neo Bogatsu joined Botswana Insurance Fund Management (Bifm) in 2011 as Chief Finance Officer, and was later promoted to the position of Chief Executive Officer (CEO).

Prior to joining Bifm, she had been with Barclays Bank of Botswana for more than 10 years, working in the Finance and Business Analytics departments, and holding different positions from middle to senior Management level. She started her career with Ernst & Young in 1996, where she trained and qualified as a Chartered Accountant.

In addition to her role as CEO of Bifm, she serves as a Director on various Boards of companies in different industries, including financial services, property management and development, and education.

She holds a B.Com (Accounting) Degree from the University of Botswana and is an Executive MBA graduate of the University of Chicago Booth School of Business. Mrs. Bogatsu is also a Fellow Member of the Association of Chartered Certified Accountants (FCCA) as well as the Botswana Institute of Chartered Accountants (BICA).

Chaha Skelemani
Head of Legal Guard

Nationality: Motswana

Born: 1974

Chaha Skelemani was appointed as Head of BIHL Insurance Company Limited (trading as Legal Guard) in July 2017.

Prior to this, he served as Finance Manager for the company from 2014, and played a key role in the development and implementation of the company's turnaround strategy.

Prior to joining the BIHL Group, he spent 22 years serving in a variety of positions in several major Botswana operations including at Debswana, National Development Bank (NDB) and Citizen Entrepreneurial Development Agency (CEDA).

Mr. Skelemani is a Chartered Management Accountant as well as a Fellow Certified Professional Accountant. He has served as Chairman and Secretary of the Chartered Institute of Management Accountants (CIMA) Student Society and as Treasurer of the CIMA Botswana Branch Executive Committee.

Thomas Masifhi
Group Head of Business Development and Stakeholder Management

Nationality: Motswana

Born: 1966

Thomas Masifhi was appointed as the BIHL Group's Head of Business Development and Stakeholder Management in February 2017.

He joined the BIHL Group in June 1992 as an Insurance Broker with Botswana Life Insurance Limited before leaving to become the Broker Manager at Southring Insurance Brokers 1994, and later registering his own independent insurance agency. In 1997, he returned to Botswana Life as Regional Sales Manager, Senior Manager Operations, Head of Business Support, and Head of Client Services and Business Support before being appointed to head the new LifeRewards and Loyalty Programme business unit which was established to focus on customer retention.

Mr. Masifhi has a Diploma in Sales and Marketing Management (Damelin Business School) and an MDP from the University of Stellenbosch, as well as ICBS in Insurance from (IISA). He has also undertaken the Executive Development Programme through LIMRA (2010). In addition, he has a Diploma in Insurance (LCII) and is an Associate of the Insurance Institute of South Africa (IISA). He has also completed a Postgraduate Certificate in Enterprise Risk Management through Botswana Accountancy College (BAC). Outside the office, he serves on the committees of various sporting organisations', such as the Botswana Football Association (BFA).

Corporate Governance

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The Fourth Industrial Revolution is about more than just technology-driven change; it is an opportunity to help everyone, including leaders, policy-makers and people from all income groups and nations, to harness converging technologies in order to create an inclusive, human-centred future.

World Economic Forum

Corporate Governance Report

The Chairman is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of Directors.

The magnitude and complexity of the Group influences our Board's competition and we strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision making and strong technical inputs. We assess diversity against skills and expertise, independence, gender and age as well as tenure.

Corporate Governance Report (Continued)

The BIHL Group is committed to business integrity and professionalism in all activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practice. The Board is of the opinion that the BIHL Group currently complies with significant governance principles of King III™ and that it also complies with the BSE Listing Requirements. BIHL's corporate governance practices are continually being reviewed and improved by benchmarking against accepted best practices, King III™ and is now migrating to the updated King IV™ Codes. More on this can be found on pages 99-101.

BOARD CHARTER

The Board operates in terms of a formal Charter which is reviewed and adopted annually, the purpose of which is to regulate the conduct of its business in accordance with sound corporate governance principles. The objectives of the Charter are to ensure that all Directors acting on BIHL's behalf are aware of their duties and responsibilities and the legislation and regulations affecting their conduct. Furthermore, it seeks to ensure that sound corporate governance principles are applied in all dealings by Directors in respect of and on behalf of BIHL. The Charter sets out the specific responsibilities to be discharged by the Directors collectively and individually. The Charter is available upon request from the BIHL Group.

CORPORATE GOVERNANCE

The Board is the custodian of corporate governance and is responsible for ensuring that the business of BIHL is conducted according to sound corporate governance principles. This is done through approving key policies and ensuring that the company meets its obligations to all stakeholders. The Board directs BIHL's strategic planning, its risk assessment and its resource, financial and operational management to ensure that the company's obligations to its stakeholders are understood and met.

BIHL is governed by a Board which, in terms of BIHL's constitution, must comprise at least four and not more than twelve Members. More than half of its Non-Executive Directors are Independent and the preponderance of Independent Non-Executive Directors is strongly encouraged on the Boards of BIHL's major subsidiaries.

We seek to promote independent judgement and diverse mindsets and opinions. All Directors must exercise their judgement independently, irrespective of their status.

The roles of the Chairman and the Chief Executive Officer are separate, and the composition of the Board ensures a balance of authority precluding any one Director from exercising unfettered powers of decision making. The Board is assisted in fulfilling its responsibilities by the following Sub-Committees:

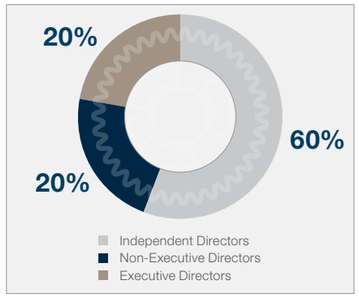
- Audit and Risk Committee;
- Human Resources Committee;
- Nominations Committee (ad hoc committee); and
- Independent Review Committee (ad hoc committee).

The responsibility for the implementation and monitoring of corporate governance within the BIHL Group rests with the Board, which is assisted by the above-mentioned Sub-Committees.

During this financial year, the Board was Chaired by Mrs. Batsho Dambe-Groth, an Independent Non-Executive Director.

The Board comprises:

- Five independent Non-Executive Directors;
- Two Non-Executive Directors; and
- Two Executive Directors.



The Chairman has no Executive function. She meets regularly with senior Executive Management to monitor progress and discuss relevant business issues, and is available to respond to stakeholder queries or other issues relating to the BIHL Group. Non-Executive Directors have the opportunity to meet separately without the BIHL Group Chief Executive Officer, as and when circumstances warrant.

SKILLS AND EXPERTISE

Members should have the highest levels of integrity, a deep understanding of governance, appropriate technical, financial and non-financial knowledge and interpersonal skills. In particular, skills and experience in the areas of insurance, risk, capital management, technology, financial, auditing, accounting, legal and human resources.

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Group considers the impact of its decisions and its responsibilities to all the Group stakeholders, including the Group's employees, shareholders, regulators, clients, suppliers and communities in which it operates.

GROUP CHIEF EXECUTIVE OFFICER

Responsible for the management of all aspects of the Group's businesses, developing the Strategy in conjunction with the Chairman and the Board, and leading its implementation.

MANAGEMENT TEAM

The Management team comprises the Group CEO, the Group Chief Financial Officer, two CEOs from BLIL and BIFM respectively.

BOARD ACTIVITIES IN 2019

BOARD DECISIONS, RESPONSIBILITIES AND DELEGATION OF AUTHORITY

The Board discharges some of its responsibilities directly and delegates certain other responsibilities to its committees to assist in the carrying out of its function and ensuring effective independent oversight and stewardship. Details of the significant topics discussed and considered by the committees in 2019 can be found in this report.

The Board also delegates authority for the operational management for further delegation in respect of matters that are necessary for the effective day to day running and management of the business. The Board holds the Group CEO accountable for discharging the delegated responsibilities.

A clear schedule of matters reserved for the Board and terms of refence for each of its Committees are in place to provide clarity over where responsibility for decision making lies.

OUR BOARD MEETINGS-OPERATIONS AND FOCUS

To enable the Board to use its time most effectively and efficiently, supported by the Group Company Secretary, it maintains a scheduled programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda to ensure that the Board can focus on the key matters at the appropriate time. The Board also schedules informal sessions and interactions, which allows Board Members to discuss areas of the business, strategy and the external environment with members of the management team.

Members of the Management team and other Senior Executives attend Board and Sub-Committee meetings to ensure effective interaction with the Board. The Group CEO comments on current trading, business performance, the market, employees, relevant stakeholders and regulatory and external developments at each meeting.

AREAS OF BOARD DISCUSSION IN 2019

Details of some of the Board's key areas of focus through 2019 are set out below. Some of these items were considered at each meeting and the others reviewed periodically throughout the year.

The Directors are mindful of their statutory duties and obligations and receive training on their responsibilities as part of their induction. The Board will continue to enhance the mechanism for ensuring that the Group's stakeholders are given due regard and consideration as part of the Board's decision making.

- Reviewed and approved the five-year Strategy;
- Reviewed and scrutinised the strategic and operational performance of the business;
- Received regular risk reports;
- Reviewed the risk appetite statement;
- Monitored the Group's financial performance;
- Approved the Group's budget;
- Approved the full and half-year results and considered the key internal and external factors in determining payment of a final and interim dividend;
- Received an update on Management team succession planning;
- Received an update of the macroeconomic headwinds and tailwinds in the global economy including an assessment of their impact on the key drivers of the Group's financial performance; and
- Approved the AML/CFT policy.

Corporate Governance Report (Continued)

BOARD'S PRIMARY RESPONSIBILITIES

The Board is committed to continuous improvement of our corporate governance principles, policies and practices, and does so through awareness of evolving regulation and best practices, engagement with regulators and industry bodies, and regular feedback from other stakeholders.

OVERSIGHT PRIORITIES

Risk and Control oversight:

The Board approves the Group's Enterprise Risk Management Framework (incorporating the principal and key risks) and the Group's risk appetite and then monitors the implementation of both; including the approval of key risk frameworks through its Committee; and receiving reports on under and over utilisation of risk appetite together with triggers, limits and management actions.

Stakeholder Relations

The Board and Management proactively engage with material stakeholders and address their concerns in the best way possible. Collaboration is important to the Group's approach and strategic partnerships are driven with like-minded stakeholders. In addition, personal meetings with analysts and fund managers/trustees can be arranged when appropriate. BIHL publishes its interim and annual results in the media when finalised and in addition mails its Annual Report to all shareholders.

Where there is an item of special business included in the Notice of the Annual General Meeting (AGM), it is accompanied by a full explanation of the implications of the proposed resolution. In the course of the AGM, as at other shareholder meetings, the Chairman provides reasonable time for discussion. Shareholders are always encouraged to attend the AGM.

Remuneration

The Board ensures our remuneration principles and practices are designed to deliver remuneration that is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and is aligned with risks as well as the conduct expectations of the Group.

Ethics and Culture

The Board is committed to the highest standards of ethical behaviour. Directors strive to uphold the standards of conduct required of them by law, regulation and policies, while demonstrating the behaviours that are consistent with the Group's Values.

Corporate Citizenship

The Board acknowledges the role of the Group in (i) contributing to the growth and development of the societies in which we operate; (ii) being accountable for our impact on the environment; and (iii) evolving as our communities' change. Compliance with laws and regulations is a critical aspect of our citizenship efforts.

Accountability and Transparency

The Board commits to providing credible and comprehensive financial and non-financial reporting accompanied by constructive stakeholder engagement. With respect to the public and other stakeholder interests, we will align with best practice relating to disclosures and be subject to internal and/or external assurance and governance procedures.

APPOINTMENT OF DIRECTORS

The broad principles that are followed are to maintain an independent and vibrant Board that constructively challenges Management's strategies and evaluates performance against agreed benchmarks and applicable codes of conduct. A balance is maintained among Non-Executive Directors which ensures that the majority of these are Independent Directors. The Board is to comprise a majority Non-Executive Directors, the majority of whom are Independent. We seek to promote independent judgement and diverse mindsets and opinions. All Directors must exercise their judgement independently, irrespective of their status.

The Directors are chosen for their business acumen and their wide range of skills and experience. The Board gives strategic direction to BIHL, appoints the Chief Executive Officer and ensures that succession planning is in place. In appointing Directors, emphasis is placed on achieving the necessary balance of skills, experience and professional and industry knowledge to meet BIHL's strategic objectives. The selection and appointment of Directors is formal and transparent, and a matter for the Board as a whole, assisted by the Nominations Committee.

All BIHL Directors are subject to an annual performance evaluation. Succession planning is also reviewed regularly.

During the 2019 financial year, Ms. Kate Maphage was appointed to the Human Resources Committee. Gerrit van Heerde resigned as the Audit and Risk Committee Chairperson in October 2019 and, effectively, Andrew Cartwright was appointed as the Chairperson of the Audit and Risk Committee. Kobus Vlok was appointed to the BIHL Board in June of 2019.

In accordance with BIHL's constitution, the term of office for Non-Executive Directors is three years. One-third of the Directors retire by rotation annually, with each retiring Director eligible for re-election, if available, at the AGM.

The Non-Executive Directors do not hold service contracts with BIHL and their remuneration is not dependent on their respective performance.

BOARD MEETINGS

The Board meets at least four times per annum to consider business philosophy and strategic issues, set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities.

Where appropriate, decisions are also taken by way of circulated resolutions. Feedback from its Sub-Committees is considered, as well as a number of key performance indicators, variance reports and industry trends. A summary of meetings held and attended is presented below:

	BIHL Board	Audit and Risk Committee	Human Resources Committee	Investment Committee
B. Dambe-Groth	4/4	n/a	n/a	n/a
C. Chauhan	4/4	3/4	n/a	n/a
J. Hinchliffe	4/4	4/4	n/a	n/a
M. Mpugwa	4/4	n/a	4/4	3/4
G. Van Heerde	3/4	3/4	3/4	n/a
A. Cartwright	3/4	3/4	n/a	n/a
Lt. General T. Masire	4/4	n/a	n/a	n/a
G. Hassam/K. Vlok	4/4	n/a	4/4	n/a
A. Roux	3/4	n/a	n/a	n/a

Remuneration of Directors can be seen on page 95

Corporate Governance Report (Continued)

BOARD SUB-COMMITTEES

In the course and scope of discharging their mandate, the Directors are empowered to delegate part of their duties.

- AUDIT AND RISK COMMITTEE
- HUMAN RESOURCES COMMITTEE
- NOMINATIONS COMMITTEE
- INDEPENDENT REVIEW COMMITTEE
- SPECIAL BOARD COMMITTEES

Certain functions of the Board are facilitated through the main Sub-Committees, including the Audit and Risk, Investment, Human Resources, Nominations and Independent Review Committees. These Sub-Committees have formal Charters and report to the Board at regular intervals. The Sub-Committees are Chaired by Independent Non-Executive Directors. Reappointment to the Sub-Committees is not automatic and is subject to the approval of BIHL's Nominations Committee. When BIHL Directors retire by rotation, they automatically retire from the Sub-Committees on which they serve.

The terms of reference for all Board Sub-Committees have been confirmed by the Board. There is a full disclosure from these Sub-Committees to the Board, and their minutes are submitted to the Board for noting. In addition, all authorities delegated by the Board are reviewed and updated annually by the Board.

HUMAN RESOURCES COMMITTEE

The Sub-Committee is responsible for monitoring and advising on the status of BIHL's human intellectual capital and the transformation processes regarding employees. In particular, the Sub-Committee approves executive appointments and reviews succession planning. The Sub-Committee is also responsible for the Remuneration Strategy within the BIHL Group and for approval of guidelines for incentive schemes and the annual determination of remuneration packages for BIHL's Exco. The Sub-Committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that a robust performance management culture is in place. It also makes recommendations to the Board regarding Directors' remuneration. The Chief Executive Officer, the Subsidiary Chief Executive Officers and the Head of People Management attend the meetings by invitation.

Non-Executive Directors do not participate in an incentive bonus nor do they receive share options. The Sub-Committee meets on a quarterly basis and has a formal charter which sets out its responsibilities and is reviewed annually.

Ms. Catherine Kate Maphage
Committee Chairman

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee met four times during the financial year.

The Sub-Committee has a formal written Charter which sets out its responsibilities and is reviewed annually. The Internal and External Auditors attend these meetings and have unrestricted access to the Chairman of the committee.

The main responsibility of the Audit and Risk Committee is to assist the Board in discharging its responsibilities under the Companies Act, the Non-Bank Financial Institutions Regulatory Act (NBFIRA), other relevant legislation, and the common law, with regard to the business of the BIHL Group. It monitors financial controls, accounting systems and reporting, compliance with legal and statutory requirements, evaluation and the management of risk areas and internal control systems, and the effectiveness of external and internal auditors. The Sub-Committee also evaluates the BIHL Group's exposure and response to significant risks, including sustainability issues.

Areas of Focus during 2019
The Sub-Committee focused on the following key areas:

1. **Compliance Management**
   a. Compliance with Anti Money Laundering (AML), and Countering Financing of Terrorism (CFT) & Proliferation requirements across the Group's Subsidiaries. The continued focus on AML, CFT & P across Africa and indeed in Botswana has meant that the BIHL Group, being the largest player in the insurance space, has had to ensure that the businesses in its stable are compliant with the legislation. Processes have been put in place to ensure that all new policies written are compliant with requirements. The Committee monitored management efforts to ensure compliance of the more than 300,000 existing policyholders and is pleased to have witnessed significant improvements in levels of compliance. Focus continues to be on ensuring that all client information will be kept up-to-date in line with regulatory requirements.
   b. Compliance with the New Retirement Funds Act: the Committee reviewed the progress that Management has made in setting up a separate administration company to administer the Retirement Annuities Fund (RAF). In addition, good progress has been made to register the Retirement fund with NBFIRA; the Committee is satisfied that there is sufficient effort to comply with the requirements – however, final approvals by the Regulator are still awaited.
   c. Review of the Group's compliance maturity status: following the review of the compliance maturity status of the Group in 2018, the Committee approved the revised enhanced compliance governance documents and approved the various compliance plans in the review year. This will guide compliance work for the year 2020.
2. **Risk Management. During the year, the Sub-Committee reviewed:**
   a. The Risk Profiles and Risk Appetite reports of the various Subsidiaries
   b. The ratings and the effectiveness of mitigating factors through quarterly monitoring of the key risks that faced the Group.
   c. Unlisted investments with a focus on credit assets which required attention from a risk management perspective.
   d. Management's Strategy and actions to improve risk maturity in Subsidiaries and Associates.
3. **Audits**
   a. Botswana Accountancy Oversight Authority (BAOA) Audit – the Committee continued to oversee the implementation of the governance recommendations by BAOA following its audit in 2018 and significant progress has been made to date. For example, the Chairman of the Committee is now an Independent Non-Executive Board Member.
   b. The Committee considered various audit reports from the Internal and External Audit and is satisfied that the Group has a healthy control environment. The key audit matters highlighted by the External Auditors during the year include the following:
      i. Valuation of Policyholder Liabilities under insurance contracts; and
      ii. Assessment of impairment of investments in Associates.

The Sub-Committee is satisfied that Management has dealt with these matters appropriately in the financial statements.

Mr. Andrew Cartwright
Committee Chairman

Corporate Governance Report (Continued)

INDEPENDENT REVIEW COMMITTEE

In order to enhance the governance structures within the BIHL Group and any other matters referred to it by the Board or any of its Sub-Committees, the Board established an Independent Review Committee.

The Committee is responsible for reviewing all related party transactions. The Committee meets as and when appropriate and has adopted a formal Charter that will be reviewed on an annual basis.

Mr. John Hinchliffe
Committee Chairman

NOMINATIONS COMMITTEE

The Nominations Committee meets on an ad hoc basis to appoint, identify and evaluate suitable candidates for possible appointments to the Board. The Sub-Committee makes recommendations to the Board regarding the appointment of Non-Executive and Independent Non-Executive Directors.

The Sub-Committee regularly reviews the structure, size and composition of the Board and its Committees and makes recommendations to the Board.

The Sub-Committee meets as and when appropriate.

Mr. Chandra Chauhan
Committee Chairman

SPECIAL BOARD COMMITTEES

The Board has the right, from time to time, to appoint and authorise special ad hoc Sub-Committees to perform specific tasks. The Board determines the membership and terms of reference of such Sub-Committees.

Remuneration Packages for Executive & Non Executives

EXECUTIVE DIRECTORS

The remuneration package for Executive Directors includes a basic salary, a variable performance-linked payment and an allocation of share options. All of these are established in terms of determined remuneration principles. In line with BIHL's remuneration philosophy, remuneration is reviewed annually by the Human Resources Committee after evaluating each Executive Director's performance.

NON-EXECUTIVE DIRECTORS

The fee structure for Non-Executive Directors is recommended to the Board by the Human Resources Committee and reviewed annually with the assistance of external service providers. The Committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new Acts, regulations and corporate governance guidelines. The Board recommends the fee structure for the next year to BIHL's shareholders for their approval at the annual general meeting. Non-Executive Directors receive an annual retainer for their services. In addition, a sitting fee is paid for attending and contributing to Board and Sub-Committee meetings.

BIHL pays for all travel and accommodation expenses in respect of Board and Sub-Committee meetings.

Disclosure of individual Directors' emoluments is detailed below:

Name	Annual Retainer	Board Meeting	Audit and Risk Committee	Human Resources Committee	Subsidiary Boards	Nominations Committee	Other Committees/ Meetings	Total	Number of Board meetings attended
B. Dambe-Groth	-	475,000	n/a	n/a	n/a	n/a	n/a	475,000	4 of 4
G. van Heerde	65,000	122,882	215,733	28,650	73,781	n/a	n/a	506,046	3 of 4
G. Hassam	-	142,176	n/a	14,175	20,000	n/a	n/a	53,469	1 of 4
C. Chauhan	65,000	19,294	94,803	n/a	117,719	68,250	n/a	538,170	4 of 4
J. Hinchliffe	65,000	142,176	126,404	n/a	100,000	n/a	n/a	433,580	4 of 4
M. Mpugwa	65,000	142,176	n/a	71,475	93,781	n/a	232,483	604,915	4 of 4
A. Roux	65,000	122,882	n/a	n/a	n/a	n/a	n/a	187,882	3 of 4
T. Masire	65,000	142,176	n/a	n/a	n/a	n/a	n/a	207,176	4 of 4
A. Cartwright	65,000	122,882	135,113	n/a	60,000	n/a	n/a	382,995	3 of 4
K. Vlok	65,000	122,882	n/a	n/a	60,000	n/a	n/a	247,882	3 of 4
K. Maphage *	n/a	n/a	n/a	102,500	80,000	n/a	n/a	182,500	n/a

* Non-Excecutive Director

Directors emoluments for 2019, see page 91 for more information

Disruptive innovation in financial services across the world can already be seen and felt through evolving customer needs and expectations, rapidly advancing technologies, and changing regulatory landscapes. The question then is

"How prepared is the sector, as a whole, for this disruption?"

Corporate Governance Report (Continued)

EVALUATION OF PERFORMANCE

The Directors complete Board self-assessment questionnaires on an annual basis to evaluate the effectiveness of the Board and its Members.

This mechanism is used to ensure that the responsibilities of the Board and of individual Directors in terms of the Board Charter, the Constitution and significant governance principles of King III™ are complied with, and that adequate attention is paid to matters of both performance and conformance.

The results of the self-assessments are collated by the Company Secretary, considered by the Chairman and discussed with the Board for purposes of performance improvement. The performance of the individual Directors is also reviewed during individual discussions between each Director and the Chairman. The Chairperson's performance is in turn reviewed by the other Directors. The recent evaluations indicate that generally the Directors are satisfied with the effectiveness of the Board's performance and that of its individual members. The self-assessments are extended to the Subsidiary Boards and sub committees.

CONFLICT OF INTEREST

Directors are required to inform the Board timeously of conflicts of interest or potential conflicts of interest that may exist in relation to particular aspects of BIHL business. Directors are obliged to recuse themselves from discussions of matters in which they may have a conflicting interest, unless resolved otherwise by the remaining members of the Board. Directors are required to disclose their shareholding in BIHL, their other Directorships and their interests in contracts that BIHL may conclude, at least annually and as and when changes occur. The Members of the Board have declared their interests and are free from any business or other relationships which could reasonably be said to interfere with the exercise of their judgement. All Directors are required to consult with and obtain consent of the Chairman (and, in the case of Executive Directors, the Chief Executive Officer) in regard to appointments to the Boards of other companies.

DEALINGS IN LISTED SECURITIES

The BIHL Group complies with the BSE requirements in respect of share dealings by its Directors. In terms of BIHL's closed-period policy, all Directors and staff are precluded from dealing in BIHL securities during closed periods. These are typical while half year and full year financials are being finalised and during other price-sensitive transactions (e.g. during a period covered by a cautionary announcement). A pre-approval policy and process for all dealings in BIHL securities by Directors and selected key employees is strictly adhered to. Similar trading policies regarding personal transactions in all financial instruments are enforced at BIHL's portfolio investment companies. A summary of Directors' dealings is listed on note 19th of the Annual Financial Statements of this Annual Report.

At every Board meeting, the Board will decide whether there is any price sensitive information to declare or any that has been discussed during the meeting.

ADVICE

All Directors have access to the advice and services of the Company Secretary, Mr. Haig Ndzinge, and are entitled to obtain independent and professional advice at BIHL's expense.

STATUTORY ACTUARY

Mr. Edwin Splinter is an independent statutory actuary who is not in the employ of BIHL. He is responsible for assisting the Board in all actuarial matters and conducts the actuarial valuation of Botswana Life Insurance Limited. He is also responsible for all regulatory reporting to the Registrar of Insurance and for safeguarding the interests of policy holders. The Statutory Actuary attends the interim and year-end Board meetings as well as all the Audit and Risk Committee meetings.

The Report of the Statutory Actuary is set out on page 50.

FORENSICS

BIHL recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the Code of Ethical Conduct, and undermine the organisational integrity of BIHL. The commitment to combating financial crime is designed to counter the threat of white collar crimes, including fraudulent acts and malicious intentional acts that damage BIHL's good standing. A zero tolerance approach is applied to these matters and all alleged offenders are prosecuted. BIHL has in place an anonymous hotline that stakeholders can use for reporting any wrongdoing in the business. The anonymous hotline ensures independence and good practice.

COMPLIANCE

BIHL considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. BIHL's compliance function facilitates the management of compliance through the analysing of statutory and regulatory requirements, drafting compliance management plans and subsequently implementing the plans throughout the Group and monitoring the implementation of suggested controls to ensure compliance with applicable statutory and regulatory requirements.

The Compliance Framework Manual which was rolled out to the businesses covers dissemination of new legislation, handling of regulatory visits, development/review of risk universes, customer due diligence procedures and suspicious activity reporting procedures.

Various pieces of legislation such as the Collective Investment Undertakings Act (CIU), the Non-Bank Financial Institutions Regulatory Authority Act (NBFIRA), the Insurance Industry Act (IIA) and the Financial Intelligence Act (FIA) were analysed for purposes of developing/reviewing the risk universes at the businesses.

In the year 2019, the BIHL Board officially approved the Anti-Money Laundering/Combating the Financing of Terrorism and Proliferation of Weapons of Mass Destruction (AML/CFT & P). This document outlines the policy on AML/CFT & P matters. The Policy is designed pursuant to the obligations placed on the BIHL by the AML/CFT & P legislative framework in Botswana. In particular, our policy framework is designed to comply with provisions of the Financial Intelligence Act (2009) & Financial Intelligence (Amendment) Act, 2018 and the Non-Bank Financial Institutions Regulatory Act (2008) and their respective regulations as a minimum standard. The policy adheres to international standards as espoused by the Financial Action Task Force (FATF) 40 Recommendations, United Nations and African Union Conventions and Protocols as it relates to Financial Groups.

STRATEGIC RISK MANAGEMENT

In acknowledging its responsibility for strategic risk management within BIHL, the Board has tasked the Audit and Risk Committee to ensure that these responsibilities are fulfilled. A major function of the Committee is therefore to analyse and report back to the Board on the status of various risks and risk management policies and procedures.

Considered an integral part of the decision-making process in BIHL, the primary objective of BIHL's strategy with respect to risk management is to optimise BIHL's risk-adjusted return on capital and embedded value. To ensure an optimal return, BIHL determines an acceptable level of risk in conducting its operations. The role of risk management is therefore to enhance the organisation's ability to manage, though not necessarily avoid or eliminate, every risk and to ensure that the overall risk profile remains within the approved risk limits and tolerance limits. This may involve various risk responses or combinations thereof, namely acceptance, mitigation and/or avoidance of the risk. The processes in place provide reasonable, but not absolute, assurance that the risks are adequately managed. The risk appetite and tolerance limits have been in place during this financial year, and cover all material business activities of BIHL.

The Strategy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to risk policies require Board approval. The assessment of the various risks in BIHL is evaluated on both a quantitative and a qualitative basis. Risks characterised by a low likelihood of occurrence but with a potentially catastrophic impact, are regarded as unacceptable and are avoided as far as practically possible. Business Continuity Management (BCM) plans have been put in place to ensure that the business is resilient. The Risk Assurance framework provides tools to define the risks and the level at which risks should be reported in terms of the risk escalation matrix. The Compliance framework outlines the compliance process and responsibilities. Policies, procedures and methodologies have been adopted and implemented throughout BIHL that enable effective identification and management of risks.

All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed.

A detailed Risk Management Report is included on page 102 of this Annual Report.

EMPLOYMENT EQUITY AND LOCALISATION

Employment equity and localisation remain high-priority business imperatives. All BIHL's businesses have localisation plans which are reviewed annually to ensure they remain aligned with BIHL's business objectives and industry needs.

FINANCIAL REPORTING

The minimum financial reporting standards for BIHL financial statements are compliant with the relevant International Financial Reporting Standards (IFRS) and the Companies Act.

INTERNAL AUDIT

BIHL's Internal Audit function is coordinated at Sanlam Group level, assisted by two locally appointed resources who sit at a BIHL level. Regular risk-focused reviews of internal control and risk management systems are carried out throughout BIHL Group. The authority, resources, scope of work and effectiveness of this function is reviewed regularly by the Audit and Risk Committee.

Corporate Governance Report (Continued)

EXTERNAL AUDIT

The External Auditors provide an independent assessment of BIHL's systems of internal financial control and express an independent opinion on the Annual Financial Statements. The external audit function provides reasonable but not absolute assurance on the accuracy of the financial disclosures within disclosed thresholds of materiality. The External Auditor's plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to the audit.

There exists close cooperation between the internal and external auditors to ensure that there is adequate coverage of all material areas of BIHL's business, sharing of information and minimisation of duplicated effort.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

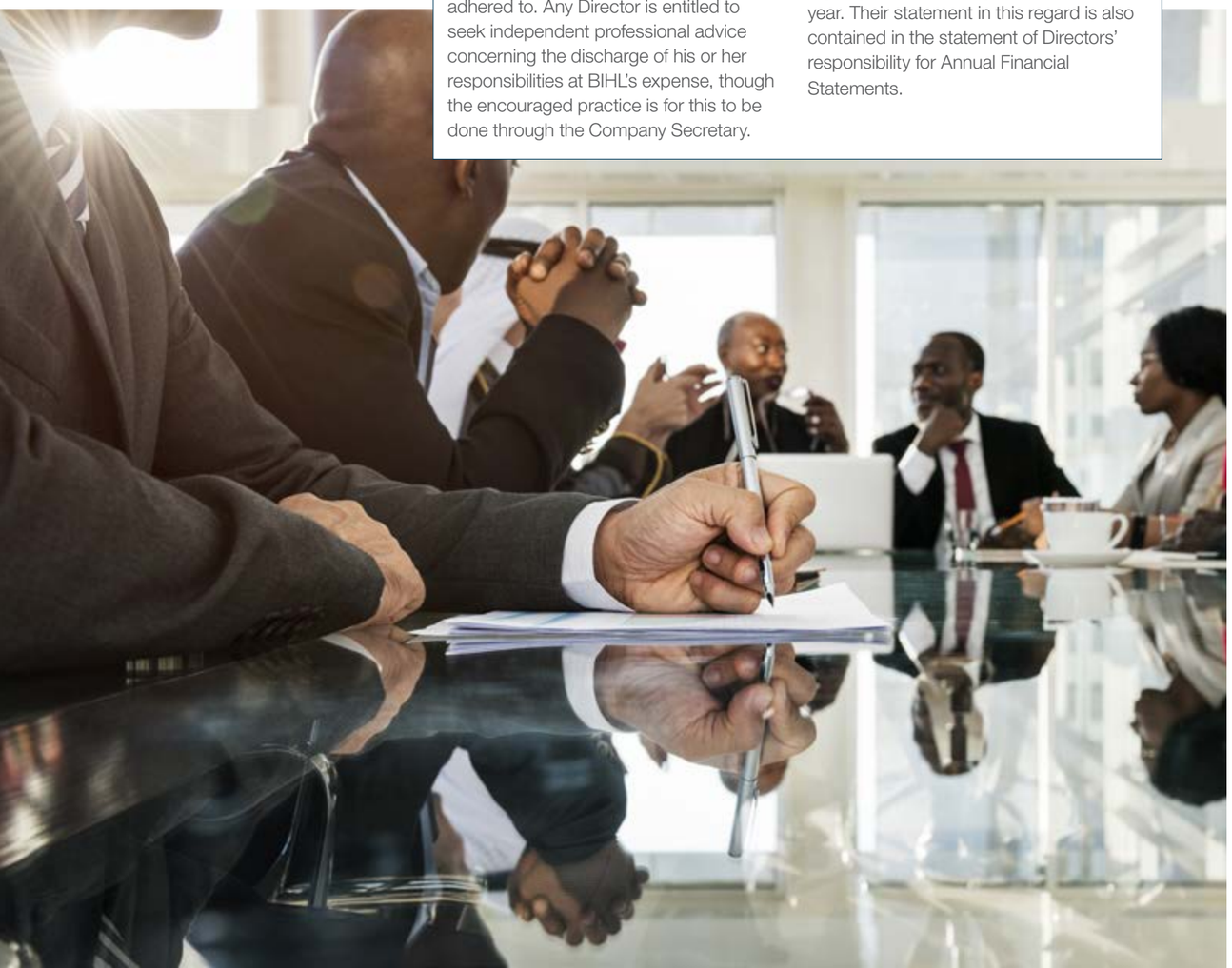
All Directors have unlimited access to the advice and services of the Company Secretary, Mr. Haig Ndzinge, who is accountable to the Board for ensuring that prescribed procedures are complied with and that sound corporate governance and ethical principles are adhered to. Any Director is entitled to seek independent professional advice concerning the discharge of his or her responsibilities at BIHL's expense, though the encouraged practice is for this to be done through the Company Secretary.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The financial statements of BIHL are reviewed by the Audit and Risk Committee, approved by the Board, and can be signed off by any two Directors. In practice, however, they are usually signed on behalf of BIHL by the Chairman and BIHL Group Chief Executive Officer.

GOING CONCERN

The Board has considered and recorded the relevant facts and assumptions and has concluded that BIHL will continue as a going concern during the 2019 financial year. Their statement in this regard is also contained in the statement of Directors' responsibility for Annual Financial Statements.



How King is Being Applied at BIHL

With the updated King Code to King IV™, organisations have had to make adjustments to align to best practice. BIHL has been very proactive on this, with the result being that we are a lot further down the road to King IV™ alignment than many other organisations of similar size to The Group.

At the BIHL Group, the application of best practice corporate governance protocols and processes has been a practice for many decades. The King III™ guidelines have been, for the most part, applied by our Group for the last 5 years. Following the updated King IV™ guidelines, we have made a number of adjustments towards applying or elaborating when we are not able to apply in full as required by King IV™.

The updated King IV™ codes aim to better align and modernise the Codes to global best practice; and to align it to shifts in the approach to capitalism which are towards inclusive, integrated thinking that seek long term sustainability of the organisation over short term gains. It further takes into account specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures, emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. Integrated Reporting.

Whilst King IV™ is voluntary, it is envisaged that it will be applicable to all organisations irrespective of their form or manner of incorporation. We, at BIHL, are happy to disclose that we are well down the path of alignment to the current King Codes. We have taken this position because of our strong belief that a sustainable organisation is one that is well run, profitable and also plays its part within the organisations and ecosystems it operates in. For that reason best practice in governance will always be a priority for us at BIHL.

GOVERNING BODY RESPONSIBILITIES AT BIHL

How King is Being Applied (Continued)

Notable Recommendations from King Codes	King III™ Recommendation	BIHL Status 2018	King IV™ Recommendation	BIHL Status 2019	Planned Activities / Comment 2020
Composition of Board of Directors / Governing Body	Should comprise a majority of Non-Executives, and the majority of Non-Executives should be Independent.		Unchanged.		**Diversity and tenancy is considered by the Nominations Committee when appointments of Board Members are proposed. During the year under review the GCFO was appointed as a Director to the Board in order to create the necessary balance in decision making.**
	Diversity of membership must be considered. Should be a minimum of two Executive Members, namely the CEO and CFO.		Diversity of membership is further emphasised by the addition that the governing body should set targets for race and gender representation in its membership.		
	Recommends that at least one-third of Non-Executive Directors rotate at every AGM.		Less prescriptive with regard to rotation. The Board is left to decide on a rotation policy		
Independence of Directors	A list of criteria (e.g. financial interests in the entity, and present or past relationships with the entity) are set out which criteria deem Directors to be Independent or Non-Independent.		Similar criteria are utilised, however these are now framed as non-exhaustive factors to be taken into consideration, and are therefore not necessarily determinative, of a Director's status as Independent or otherwise.		**Planned continuance and adherence aligned to King IV™**
Chairperson of the Board of Directors	Should be an Independent, Non-Executive.		Unchanged.		**Status will remain.**
	The office of Chairman and CEO must not be occupied by the same person				**In 2019, the Chairperson was also removed from most Sub Committees (except the Nominations Committee) to further separate the responsibilities**
Lead Independent Director	Required to be appointed only if Chairman is not Independent, and fulfils Chairperson's role when the latter is conflicted.		Required to be appointed irrespective of the Chairman's position, and has an enhanced role under King IV™.		**The Lead Independent Director in place.**
Chairperson's Involvement in Committees	Should not be a Member of the Audit Committee. Should not Chair the Remuneration Committee, but may be a Member of it.		Position unchanged insofar as Audit, Nomination and Remuneration Committee are concerned.		**Aligned to King IV™**
	Should be a Member of the Nomination Committee and may also be its Chairman. Should not Chair the Risk Committee but may be a Member of it.		May Chair the Risk Committee. May be a Member of the Social and Ethics Committee but should not Chair it.		**In 2019 the Chairperson was also removed from most Sub Committees (except the Nominations Committee) to further separate the responsibilities** **Chairperson is a Member of HR Committee as well** **Chair is not the Chair of any of the Sub-Committees**
Delegation	General principles of delegation are set out.		Adds that delegation to a Member of the governing body must be formal and reduced to writing, setting out the scope and duration of the delegation.		**This is an ongoing standard at BIHL**
Committees of Governing Body – General	Should comprise a minimum of three Members, and must have formal terms of reference.		Unchanged.		**This is an ongoing standard at BIHL**
			Annual Report to disclose the Committees' respective work and areas of focus during this relevant reporting period.		**The disclosures are on page 92 of the Annual Report**

How King is Being Applied (Continued)

Notable Recommendations from King Codes	King III™ Recommendation	BIHL Status 2018	King IV™ Recommendation	BIHL Status 2019	Planned Activities / Comment 2020
Audit Committee Membership	Should comprise at least three Members, all of whom must be Independent, Non-Executive.		Unchanged		**During the year, an Independent Chair of the Audit Committee was appointed. Due to the skills shortage in the market, the remaining 2 Non-Independent Directors have not been replaced yet; this will be the focus going forward**
Nominations Committee Membership	Composition not specifically prescribed. Practice note (Sept 2009) recommends all Members to be Non-Executive; majority to be Independent.		All Members to be Non-Executive; majority to be Independent.		**Chaired by Non-Executive Independent Member, and with 2 other Non-Executive Independent Members.**
Risk Governance Membership	Should comprise both Executives and Non-Executives.		Same, but adds that the majority should be Non-Executives.		**This is an ongoing standard at BIHL. The Risk is incorporated in the Audit and Risk Committee**
Leadership Disclosures	General disclosures relating to remuneration of Directors and prescribed officers apply to the GCEO.		Unchanged		**As this related to King III™, it is an ongoing standard at BIHL and shall continue.**
			Adds that there should be disclosure of the notice period for termination of: the CEOs contract as well as conditions attaching hereto; other professional commitments of the CEO; and whether succession planning is in place for the CEO position.		**As regards the addition of the disclosure period, this will be considered during the 2020 by the Board.**
Company Secretary	Should have an arm's-length relationship with the governing body, and thus should not be a Member of the governing body.		Unchanged		**Planned continuance and adherence aligned to King IV™.**
Remuneration **- Vote by Shareholders**	Recommends the Remuneration Policy be submitted for a non-binding advisory vote by shareholders at every AGM (Ordinary Resolution).		Unchanged		**This is not in place as it is not a requirement under the Botswana Stock Exchange Listing Requirements**
			Adds that the Remuneration Policy must contain the measures that the Board will take if 25% or more of votes exercised are cast against the Policy. The measures taken must be disclosed in the next Annual Report.		
Company Groups	Recommends a governance framework to be in place between holding companies and their Subsidiaries.		Unchanged. More detail is provided on the suggested content of the governance framework.		**This will be considered in 2020 by the Board**
Institutional Investors	Not addressed in King III™		Specific principles are set out concerning the overarching obligation of the governing body of an institutional investor to ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.		**The Board Charter will be enhanced so as to ensure that Directors are duly guided when making investment decisions.**

Risk Management

Risk Management refers to the integrated processes of identifying and reporting risks so that they can be managed and mitigated effectively. Ultimately, the process is concerned with ensuring that the prevalence of risks in the institution is contained within BIHL's Risk Capacity and Appetite levels. The importance of Risk Management cannot be understated and as such it forms an essential role as part of the BIHL's Group Business philosophy. Risk Management features highly as part of the BIHL Group's Corporate Governance structure and the BIHL Group remains committed to continually identify, analyse and manage risks to its own business in an endeavour to add value to all stakeholders.

One key feature of Risk Management that is often overlooked is the consideration of how to maximise the upside (i.e. opportunities) of risk rather than focus only on reducing the downside. The BIHL Group takes a balanced overall view on risks in determining what the optimal outcomes are for the business and, therefore, what approaches should be taken in response to them.

In 2019, the BIHL Group was exposed to some changes and risks in the regulatory landscape which brought its own risk and opportunities. Failure to navigate through the risks that arise from the ever-changing landscape environment that businesses operate in may be detrimental to the success of the institution. Some of the main risks and landscape changes that the BIHL Group was exposed to in 2019 were:

i. Anti-Money Laundering (AML) & Combating Financial Terrorism (CFT) Risks.

Botswana, as a nation, was 'grey-listed' by the Financial Action Task Force (FATF) over poor standards on anti-money laundering and combating financial terrorism with a deadline of September 2019 to rectify these standards. This meant the regulators would require improved AML/ Know-Your-Client (KYC) compliance from all institutions within the financial services industry. There were significant challenges, stringent deadlines and hurdles to overcome in meeting some of the requirements that also had potentially very severe penalties. The BIHL Group was keenly aware of the risks and challenges and successfully managed to meet the requirements of the regulator and avoid penalties or any other downside outcome that could have materialised from this.

ii. International Financial Reporting Standard (IFRS) 17

IFRS17 is a new accounting reporting standard (issued by the International Accounting Standards Board) that will be replacing the current standard (IFRS 4). The planned effective date is 1 January 2021. As the BIHL Group prepares itself for the conversion to the new standard, it recognises many risks that result including the need for many operational process and technology changes. These changes are significant and require careful project planning to ensure effective and efficient implementation with as little disruption as possible to current business operations.

RISK APPETITE SUMMARY

The Risk Appetite framework refers to the level of risk in various categories that the organisation is willing to absorb in order to pursue its objectives. The Risk Appetite Statements seek to balance the benefits and costs of risk events linked to activities that the organisation may be involved in and reflects the BIHL Group's overall philosophy in risk taking.

The BIHL Group has a Risk Appetite that has been vetted and approved by its Board of Directors. In 2019, the overall risks that the Group was willing to take were not exceeded by the operations and ventures to which it was exposed.

RISK MANAGEMENT THROUGH CORPORATE GOVERNANCE

The BIHL Group has a robust corporate governance environment that focuses on ensuring that there exists proper oversight in place to hold the Group accountable to standards, laws and regulations that it should be abiding to. the BIHL Group Governance philosophy focuses on ensuring sound structural effectiveness and an adequate control function environment, Board supervision and Management Effectiveness. The Group also has an extremely sound and robust enterprise-wide Risk Management Framework underpinned by a philosophy that's designed to follow global best practice pertaining to the annuity business. There are numerous highly skilled and qualified departments, management and Board Committees as well as structures within the Group that ensure that the overall operations and functioning of its business is prudently well-maintained.

Risk Management (Continued)

RISK

Types
The Group is exposed to the following main risks:

RISK CATEGORIES (PRIMARY)	Risk types (secondary) and description
OPERATIONAL	Operational risk is the risk that there could be a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:
	Information and Technology Risk: the risk of obsolescence of infrastructure; deficiency in integration; failures/inadequacies in systems/networks; and the loss of accuracy, confidentiality, availability and integrity of critical information.
	Going Concern/Business Continuity Risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.
	Legal Risk: the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgements from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for.
	Compliance Risk: the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct, investment management mandates, as well as the failure to uphold the Group's Core Values and Code of Ethical Conduct.
	Human Resources Risk: the risk that the Group does not have access to appropriate skills and staff to operate and effectively manage other operational risk.
	Fraud Risk: the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.
	Taxation Risk: the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.
	Regulatory Risk: the risk that unanticipated new Acts or regulations will result in the need to change business practices that may lead to financial loss.
	Process Risk: the risk of loss as a result of failed or inadequate internal processes.
	Project Risk: the risks that are inherent in major projects.
REPUTATIONAL	Reputational Risk is the risk that adverse publicity regarding the Group's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution.
STRATEGIC	Strategic Risk is the risk that the Group's Strategy is inappropriate or that the Group is unable to implement its Strategy.

RISK CATEGORIES (PRIMARY)	Risk types (secondary) and description
MARKET	Market Risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market Risk includes:
	Equity Risk: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.
	Interest Rate Risk: the risk that the value of an unmatched financial instrument will fluctuate as a result of changes in interest rates; and the risk that mismatch losses will be incurred in respect of a matched asset/liability position following changes in interest rates.
	Currency Risk: the risk that the Pula value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
	Property Risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment.
	Asset Liability Mismatching (ALM) Risk: the risk of a change in value as a result of a deviation between asset and liability cash-flows, prices or carrying amounts. ALM risk originates from changes in market risk factors.
	Concentration Risk: the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).
	Market Liquidity Risk (also known as Trading Liquidity Risk or Asset Liquidity Risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or make the required profit)
CREDIT RISK	Credit Risk is the risk of default and change in the credit quality of issuers of securities, counterparties, and intermediaries to whom the company has exposure. Credit risks include:
	Default Risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.
	Downgrade or Migration Risk: risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator today.
	Settlement Risk: risk arising from the lag between the value and settlement dates of securities transactions.
	Reinsurance Counterparty Risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
	Credit Spread Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.
FUNDING LIQUIDITY RISK	Funding Liquidity Risk is the risk relating to the difficulty/inability to access/raise funds to meet commitments associated with financial instruments or policy contracts.

Risk Management (Continued)

RISK CATEGORIES (PRIMARY)	Risk types (secondary) and description
INSURANCE RISKS (LIFE BUSINESS)	Insurance Risk (Life business) relates to operations regulated under the Long-Term Insurance Act and which arises from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Underwriting Risk: the risk that the actual experience relating to mortality, longevity, disability, medical (morbidity) and short-term insurance risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.
	Persistency Risk: the risk of financial loss due to negative lapse, surrender and paid-up experience.
	Expense Risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.
	Concentration Risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.
INSURANCE RISKS (SHORT-TERM INSURANCE BUSINESS)	Insurance Risk (Short-term insurance business) relates to operations regulated under the Short-Term Insurance Act and which arises from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Claim Risk (Premium and Reserve Risk): refers to a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims Risk is often split into Reserve Risk (relating to incurred claims) and Premium Risk (relating to future claims).
	Non-Life Catastrophe Risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty around pricing and provisioning assumptions related to extreme or exceptional events.

(Endnotes)
* Strictly speaking, credit spread risk is part of market risk, however we have included it under credit risk for convenience - the factors that will be used in the economic capital calculations for credit spread risk are similar to those used for other credit risks (i.e. default risks, downgrade risks, etc).

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management (BCM) is the practice of coordinating, facilitating and executing activities that ensure an enterprise's effectiveness in identifying risks that can lead to business disruptions. This also involves implementing Disaster Recovery (DR) solutions and recovery plans, responding to disruptive events, and recovering mission-critical business operations.

The BIHL Group is committed to following BCM practices that ensure the Group's ability to respond to and recover from any disruptions that may affect the business.

During the review period, the Disaster Recovery site in Phakalane was further enhanced with upgrades to the communications infrastructure that connects the sites. The seating capacity at the BCM site was increased, and a facility to allow for IP telephony installed. There were several successful simulation tests of the BCM and DR plans during the year. These tests are performed to gauge the business preparedness in the event of an actual disruption. The results of these tests are used to note any gaps in processes or resources that are then remedied prior to the next scheduled test.

5.

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Directors' Report

The Board of Directors of Botswana Insurance Holdings Limited ("the Company") has pleasure in submitting its report and the Audited Financial Statements of the Company and its Subsidiaries for the year ended 31 December 2019.

Nature of Business
The Company and its subsidiaries ("the Group") underwrite all classes of long-term insurance, administer deposit administration schemes, manage investments and administer life and pension funds. It also provides funeral services and micro lending through its associated companies. The Company is listed on the Botswana Stock Exchange.

Results for the Year
The Group reported a net profit, after tax, for the year to 31 December 2019 of P440 million (31 December 2018: P371 million). Shareholders' equity at 31 December 2019 was P2.963 billion (31 December 2018: P2.841 billion). The results are fully explained in the financial statements.

Stated Capital
The issued and fully paid share capital at 31 December 2019 of 282,370,652 ordinary shares (December 2018: 282,370,652).

Dividends
A gross interim dividend of 44 thebe (2018: 60 thebe) per share was declared during the year. The Directors propose a final dividend of 59 thebe (2018: 67 thebe) per share and a special dividend of 11 thebe (2018: 16 thebe), making the total dividend for the year 114 thebe per share (31 December 2018: 143 thebe per share).

Directors' Shareholdings
The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by Directors of the Company was 250,041 (31 December 2018: 241,720). Details of the holding of these shares are disclosed in note 19 to the financial statements.

Events Subsequent to the Reporting Date
Refer to Note 28 to the financial statements for the disclosures on events subsequent to the reporting date.

Directorate

B. Dambe-Groth	Chairperson
C. Chauhan	
G. van Heerde	(Resigned 15 October 2019)
J. Hinchliffe	
M. Mpugwa	
Lieutenant General T. Masire	
G. Hassam	(Resigned 28 February 2019)
K. Vlok	(Appointed 14 January 2019)
A. Cartwright	(Appointed 28 May 2019)
A. Roux	
K. Mukushi	Group CFO (Appointed 16 April 2019)
C. Lesetedi	Group CEO

Company Secretary and Registered Address
H. Ndzinge
Fairgrounds Office Park,
Plot 66458
P. O. Box 336,
Gaborone

Independent Auditor
Ernst & Young
2nd Floor, 22 Khama Crescent
Gaborone, Botswana

Statutory Actuary
Edwin Splinter

Bankers
Barclays Bank of Botswana Limited
Bank Gaborone Limited
Bank of Baroda (Botswana) Limited
Capital Bank Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
BancABC

Directors' Statement of Responsibility

The Directors of the Group and Company are responsible for the Annual Financial Statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of Annual Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Insurance Industry Act, 2015 and the Companies Act (CAP 42:01).

The Group and Company maintain systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of company assets. The Directors are also responsible for the design, implementation, maintenance, and monitoring of these systems of internal financial control. Nothing has come to the attention of the Directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Group or Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors.

The annual financial statements set out on page 110-218 were authorised for issue by the Board of Directors on 4 March 2020 and were signed on their behalf by:

B. Dambe-Groth
Chairperson

C. Lesetedi
Group Chief Executive Officer

Independent Auditor's Report

To the Shareholders of Botswana Insurance Holdings Limited
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion
We have audited the consolidated and separate financial statements of Botswana Insurance Holdings Limited and its subsidiaries (the Group) and company set out on pages 110 to 218, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate income statements, statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Insurance Holdings Limited as at 31 December 2019, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act, 2015.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and other independence requirements applicable to performing the audit of the Group and Company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group and Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of policyholder insurance contract liabilities (Consolidated financial statements) Botswana Insurance Holdings Limited (the Group) has policyholder liabilities under insurance contracts stated at P10,4 billion at December 31, 2019 (2018: P9,85 billion) representing 77% (2018: 76%) of the Group's total liabilities. We considered the valuation of policyholder liabilities under insurance contracts to be a key audit matter in respect of the consolidated financial statements. This was due to events explained below. The valuation of policyholder liabilities under contracts involves complex models that are dependent on the completeness, quality, integrity and accuracy of the data used in the models and the experience investigations that inform key assumption decisions which are reliant on several underlying systems and processes. We have identified the following areas in relation to the key assumptions and inputs for the valuation of the policyholder liabilities under insurance contracts: • Actuarial methodologies and assumptions used in the valuation are subject to significant judgement. The complexity of the models may give rise to errors because of inadequate or incomplete data, including assumptions, and the design or application of the models. The active assumptions are derived from historic actual experience, market experience and practice, considering expectations to future events. • The following changes had a significant impact on the final valuation of the policyholder liabilities under insurance contracts: - The inputs into the model were updated to reflect the current market conditions, including future expenses, policy lapse, premium escalation assumptions. - In the current year, changes were made to the economic assumptions (including the long-term inflation rate and the discount rate) for the policyholder insurance contract liability. - The mortality basis for annuities (included in the policyholder liabilities under insurance contracts balance) was also amended to respond effectively to changes in the mortality trend.	The following audit procedures, amongst others, were executed with the assistance of the EY actuarial specialists: • We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation, regulatory, financial reporting requirements and approved company policy. • We assessed the key inputs (including future expenses, policy lapse, premium escalation assumptions) in the model by comparing to economic conditions and industry norms. • We evaluated the changes to the economic assumptions of long-term inflation rate and the discount rate for the policyholder insurance contract liability by assessing management's rationale for the changes made and comparing to industry standards. • We performed a sensitivity analysis to assess the impact of the changes to the inputs on the valuation of the policyholder insurance contract liabilities. • We assessed Management's experience investigation results in relation to the change in the mortality basis and evaluated the impact on the policyholder liabilities under insurance contracts relating to annuities. • We evaluated the key sources of profit and loss and assessed management's analysis of movements in the policyholder liabilities under insurance contracts and tested large or unexpected movements. • We considered the level of margins held in the policyholder liabilities under insurance contracts, management's justification for holding these margins and how these will be released in the future. • Where manual adjustments were applied to the policyholder insurance contract liabilities we tested the nature and accuracy of the adjustments. • We evaluated the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems to the model point file system. • We assessed the inputs into the valuation model of the policyholder liabilities under insurance contracts. • We assessed the adequacy and completeness of the disclosures regarding the policyholder liabilities under insurance contracts in the consolidated financial statements to determine whether they were in accordance with IFRS.

Independent Auditor's Report
(Continued)

Key Audit Matter	How the matter was addressed in the audit
• Data processes and controls relevant to the actuarial valuation are significant in the policyholder liabilities under insurance contracts valuation. The valuation incorporates various inputs which are dependent on numerous procedures and systems for precise and comprehensive data. A breakdown in the effective functioning of these processes and systems could result in a misstatement of the value of policyholder insurance contract liabilities. • Refer to the 2019 section of the accounting policies, Note 5 - Significant accounting judgements, estimates and assumptions of the Group financial statements and Note 8 - Policyholder liabilities of the Group financial statements.	
2. Valuation of investment in associate - Letshego Holdings Limited (Consolidated financial statements) The valuation of the investment in Letshego Holdings Limited continues to be a key audit matter given the economic and regulatory environments in which the entity operates. An impairment assessment exercise was carried out by Management to determine whether the carrying amount of the investment exceeds its recoverable amount, with the recoverable amount derived from the higher of a discounted cashflow (DCF) valuation and the company's fair value. BIHL Group increased its effective holding in Letshego Holdings Limited (Letshego group) from 26,17% to 28,1% in the current year which is valued at P1,13bn as at 31 December 2019. The Group's investment in associate as at December 31, 2019 represents a significant portion of the Group's total non-current assets. The appropriateness of the assumptions (such as growth rates and risk discount rates) used in the DCF model was assessed to consider for impairment of the investment in the associate. This required significant judgement. During the year, management in assessing the valuation / impairment in the investment, changed the duration to discount in the perpetuity assumptions, the risk discount rate, the risk-free rate and the effective tax rate. Small changes can result in a material impact to the valuation of the investment in associate. The determination of the assumptions requires Management's judgement and estimation As a result of the sensitivity of these assumptions, there was a change to the DCF valuation amount. Refer to Note 5 - Significant accounting judgements, estimates and assumptions of the Group financial statements and Note 4.5 - Interest in associates and joint ventures of the Group financial statements.	The audit team, together with the EY valuation experts, performed the following procedures, amongst others: • We assessed the valuation methodology and assumptions applied by Management to value the investment in the associate. This involved an assessment of the valuation methodology against industry norms and the asset type; an evaluation of the expectations of future cashflow projections; an evaluation of the historical accuracy of management's forecasts; and a comparison of current performance to forecasted performance. • We evaluated Management's forecast of the Letshego group based on our understanding of the locations in which the Letshego group operates. • We assessed the mathematical accuracy of the valuation models by recalculating the DCF valuation. • We evaluated the cash flow projections used for valuation against the associate's most recent financial performance and assessed the inputs into the cashflow projections • We evaluated the long-term growth rates used to extrapolate the cash flows, the risk discount rates, the risk free rate, the tax rate and the duration to discount in perpetuity assumptions. We compared these to available industry, economic and financial data, and to market outlook. • We performed sensitivity analysis to assess the impact of the changes to the inputs on the valuation of the investment in associate. • We assessed the adequacy and completeness of the disclosures regarding the associates in the consolidated financial statements to determine they were in accordance with IFRS.

Independent Auditor's Report
(Continued)

Other Information
The directors are responsible for the other information. The other information comprises the Report of The Independent Actuary and the Director's Report as required by the Companies Act (CAP 42:01), which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements
The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Ernst & Young
Practicing member: Thomas Chitambo

Partner
Certified Auditor
Membership number: 20030022
Gaborone

11 March 2020

2nd Floor, Plot 22 Khama Crescent,
P O Box 41015, Gaborone, Botswana

Group Consolidated Statement of Financial Position

As at 31 December 2019	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
ASSETS					
Property and equipment	2	154,562	155,320	3,414	4,224
Intangible assets	3	104,226	99,454	1,029	1,085
Right-of-use assets	2.2	20,767	-	13,256	-
Investment property	4.4	121,615	117,344	-	-
Investments in associates and joint ventures	4.5	1,664,623	1,577,409	266,711	256,324
Long-term reinsurance assets	8.6	7,718	6,350	-	-
Interest in subsidiaries	4.5	-	-	90,891	112,033
Non-current asset held for sale	4.6	-	47,688	-	-
Financial assets at fair value through profit or loss		13,955,742	13,340,130	-	-
Bonds (Government, public authority, listed and unlisted corporates)	4.1	8,608,179	8,031,912	-	-
Investment in property funds and companies	4.4	729,294	294,132	-	-
Equity investments (Local and foreign)	4.2	1,784,202	3,415,317	-	-
Other loan advances	4.3	-	393,951	-	-
Money market instruments	4.1	2,834,067	1,204,818	-	-
Loans at amortised cost	4.3	50,000	50,000	-	-
Insurance and other receivables	5	247,033	304,585	23,001	656
Tax receivable	16	5,258	-	216	-
Related party balances	19	-	-	777	41,878
Cash, deposits and similar securities	23	162,095	112,844	73,999	63,504
Total assets		16,493,639	15,811,124	473,294	479,704
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	6	154,936	154,936	154,936	154,936
Non - distributable reserves	7	223,186	323,449	36,392	31,743
Retained earnings		2,561,131	2,340,180	229,454	242,840
Total equity attributable to equity holders of parent		2,939,253	2,818,565	420,782	429,519
Non- controlling interests	9	23,597	22,008	-	-
Total equity		2,962,850	2,840,573	420,782	429,519
Liabilities					
Policyholder liabilities under:	8	10,444,102	12,521,188	-	-
Insurance contracts		10,444,102	9,859,345	-	-
Investment contracts		-	2,661,843	-	-
External investors in consolidated funds	8.1a	2,667,763	-	-	-
Derivatives instrument	8.7	5,810	-	-	-
Deferred tax liability	10	22,161	13,695	-	-
Lease liability	2.3	21,431	-	14,111	-
Insurance and other payables	11	353,753	393,813	22,956	23,295
Tax payable	16	-	2,428	-	738
Related party balances	19	15,869	17,632	15,445	26,152
Liabilities classified as held for sale	4.6	-	21,795	-	-
Total equity and liabilities		16,493,639	15,811,124	473,294	479,704

Group Consolidated Income Statement

For the year ended 31 December 2019	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Revenue					
Net insurance premium income	12	2,597,852	2,349,017	-	-
Gross insurance premium income		2,651,013	2,397,369	-	-
Insurance premium ceded to reinsurers		(53,161)	(48,352)	-	-
Other investment income		1,138,243	825,072	384,759	449,209
Revenue from contracts with customers	12.1	98,414	107,021	-	-
Investment income	13	171,594	142,698	371,585	446,670
Interest income using EIR	13	11,165	11,065	2,417	2,539
Other interest income	13	797,600	615,050	-	-
Profit on sale of subsidiary	4.7	3,472	-	10,757	-
Net gain/(loss) from financial assets held at fair value through profit and loss	13.1	55,998	(50,762)	-	-
Total revenue		3,736,095	3,174,089	384,759	449,209
Net insurance and investment contract benefits and claims		(2,622,131)	(2,145,572)	-	-
Gross insurance benefits and claims	14	(1,649,328)	(1,499,330)	-	-
Reinsurance claims	14	34,580	12,229	-	-
Change in liabilities under investment contracts	8.1	(421,258)	(191,599)	-	-
Change in policyholder liabilities under insurance contracts	8.1	(584,757)	(470,805)	-	-
Change in contract liabilities ceded to reinsurers	8.6	(1,368)	3,933	-	-
Expenses		(719,005)	(619,231)	(28,531)	(201,608)
Sales remuneration		(397,221)	(310,895)	-	-
Administration expenses	15	(316,700)	(306,229)	(27,802)	(201,608)
Finance cost on leases (IFRS 16)	2.3	(1,110)	-	(729)	-
Impairment losses	5	(3,974)	(2,107)	-	-
Profit before share of profit of associates and joint ventures		394,959	409,286	356,228	247,601
Share of profit of associates and joint ventures	4.5	229,001	166,904	-	-
Impairment of associates	4.5	(86,768)	(114,033)		
Profit before tax		537,192	462,157	356,228	247,601
Income tax expense	16	(98,919)	(95,694)	(930)	(738)
Profit for the year from continuing operations		438,273	366,463	355,298	246,863
Discontinued operations					
Profit for the year from discountinued operations	4.6	2,191	4,069	-	-
Profit for the year		440,464	370,532	355,298	246,863
Profit attributable to:					
- Equity holders of the parent from continuing operations		434,720	366,607	355,298	246,863
- Equity holders of the parent from discontinuing operations	4.6	2,191	4,069	-	-
- Non-controlling interests from continuing operations	9	3,553	(144)	-	-
		440,464	370,532	355,298	246,863
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
- basic	17	158	135		
- diluted	17	158	135		
Earnings per share (thebe) from continuing operations					
- Basic		157	133		
- Diluted		157	133		

Group Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Profit for the year		440,464	370,532	355,298	246,863
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation offoreign operations	7	(6,486)	2,538	-	-
Total comprehensive income for the year		433,978	373,070	355,298	246,863
Total comprehensive income attributable to:					
- Equity holders of the parent		428,234	369,145	355,298	246,863
- Equity holders of the parent from discontinuing operations		2,191	4,069	-	-
- Non-controlling interests		3,553	(144)	-	-
		433,978	373,070	355,298	246,863

Group Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Equity attributable to equity holders of the parent			Equity attributable to equity holders of the parent								
	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000	Capital Reserve Account P'000	Solvency Reserve Account P'000	Foreign currency translation reserve P'000	Consolidation reserve P'000	Total non-distributable reserves P'000	Retained income P'000	Total P'000	Non - controlling interest P'000	Total Equity P'000
Group												
Balance at 1 January 2018	154,936	(65,739)	83,180	660,508	1,453	(163,380)	(118,108)	397,914	2,349,983	2,902,833	16,823	2,919,656
Total comprehensive income	-	-	-	-	-	2,538	-	2,538	370,676	373,214	(144)	373,070
Profit for the year	-	-	-	-	-	-	-	-	370,676	370,676	(144)	370,532
Foreign currency translation	-	-	-	-	-	2,538	-	2,538	-	2,538	-	2,538
Share based payment expense (Note 7)	-	-	8,642	-		-	-	8,642		8,642	-	8,642
(Transfer to statutory reserve)/ Transfer from retained income	-	-	-	(88,593)	-	-	-	(88,593)	88,593	-	-	-
(Transfer from consolidation reserve)/ Transfer to retained income *	-	-	-	-	373	-	3,837	4,210	(4,210)	-	-	-
Cost of treasury shares (acquired)/disposed	-	(13)	-	-	-	-	(1,961)	(1,974)	3,783	1,808		1,808
Dividends paid	-	-	-	-	-	-	-	-	(457,441)	(457,441)	-	(457,441)
Change in ownership without loss of control (Note 7)	-	-	-	-	-	-	-	-	(5,329)	(5,329)	5,329	-
Other movements in reserves	-	-	-	712	-	-	-	712	(5,874)	(5,162)	-	(5,162)
Balance at 31 December 2018	**154,936**	**(65,752)**	**91,822**	**572,627**	**1,826**	**(160,842)**	**(116,232)**	**323,449**	**2,340,180**	**2,818,565**	**22,008**	**2,840,574**
Balance at 01 January 2019	**154,936**	**(65,752)**	**91,822**	**572,627**	**1,826**	**(160,842)**	**(116,232)**	**323,449**	**2,340,180**	**2,818,565**	**22,008**	**2,840,573**
Total comprehensive income	-	-	-	-	-	(6,486)	-	(6,486)	436,911	430,425	3,553	433,978
Profit for the year	-	-	-	-	-	-	-	-	436,911	436,911	3,553	440,464
Foreign currency translation	-	-	-	-	-	(6,486)	-	(6,486)	-	(6,486)	-	(6,486)
Share based payment expense (Note 7)			4,649					4,649		4,649		4,649
(Transfer to statutory reserve)/ Transfer from retained income	-	-	-	-		-	-	-	-	-	-	-
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	(171,469)	(1,826)	-	74,999	(98,296)	98,296	-	-	-
Cost of treasury shares (acquired)/disposed	-	(667)	-	-	-	-	537	(130)	71,980	71,850	-	71,850
Dividends paid	-	-	-	-	-	-	-	-	(368,684)	(368,684)	(2,177)	(370,861)
Other movements in reserves	-	-	-	-	-	-	-	-	(21,153)	(21,153)	213	(56,784)
Change in reserves in associates *	-	-	-	-	-	-	-	-	3,501	3,501	-	3,501
Balance at 31 December 2019	**154,936**	**(66,419)**	**96,471**	**401,158**	**-**	**(167,328)**	**(40,696)**	**223,186**	**2,561,131**	**2,939,253**	**23,597**	**2,962,850**

* Contained in this amount is the Group's share of share based payment and revaluation from its associates

Company												
Balance at 1 January 2018	154,936	-	18,846	9,762	-	-	-	28,608	453,418	636,962	-	636,962
Profit for the year	-	-	-	-	-	-	-	-	246,863	246,863	-	246,863
Share based payment expense	-	-	3,135	-	-	-	-	3,135	-	3,135	-	3,135
Dividends paid	-	-	-	-	-	-	-	-	(457,441)	(457,441)	-	(457,441)
Balance at 31 December 2018	**154,936**	**-**	**21,981**	**9,762**	**-**	**-**	**-**	**31,743**	**242,840**	**429,519**	**-**	**429,519**
Profit for the year	-	-	-	-	-	-	-	-	355,298	355,298	-	355,298
Share based payment expense	-	-	4,649	-	-	-	-	4,649	-	4,649	-	4,649
Dividends paid	-	-	-	-	-	-	-	-	(368,684)	(368,684)	-	(368,684)
Balance at 31 December 2019	**154,936**	**-**	**26,630**	**9,762**	**-**	**-**	**-**	**36,392**	**229,454**	**420,782**	**-**	**420,782**

Total dividend per share for the year was 131 thebe per share (2018:162 thebe) gross of withholding tax

* This transfer relates to the difference recognised in equity when treasury shares are purchased at a price different from the carrying value of issued shares

Group Consolidated Statement of Cash Flow

For the year ended 31 December 2019	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Net cashflows from operating activities		541,633	383,369	(12,978)	(27,446)
Cash generatedfrom operations	22	696,670	557,053	(15,316)	(16,220)
Interest received		133,179	97,323	2,417	2,539
Dividend received from equity investments		108,547	119,365	-	-
Dividend received from subsidiaries		-	-	371,218	446,413
Dividend received from associates and joint ventures		73,247	151,533	-	-
Interest expense on leases (IFRS 16)	2.3	(1,110)	-	(729)	-
Tax paid	16.1	(98,139)	(84,464)	(1,884)	(2,737)
Dividend paid		(370,861)	(457,441)	(368,684)	(457,441)
Net cashflows utilised in investing activities		(488,406)	(454,779)	24,827	8,582
Purchase of property and equipment	2	(8,541)	(6,267)	-	(161)
Purchase of computer software	3	(15,545)	(14,744)	(173)	(627)
Proceeds from sale of investment in associates, joint ventures and subsidiaries	4.5	25,000	-	25,000	9,370
Purchase of investment in associates	4.5	(31,568)	(3,056)	-	-
Acquisition of Property Investments		(410,901)	-	-	-
Purchase of Bonds		(466,352)	(464,411)	-	-
Withdrawals of Equity investments		1,722,400	201,637	-	-
Repayments from loan advances		393,951	52,278	-	-
Purchase of Money market instruments		(1,696,850)	(220,216)	-	-
Net cashflows from Financing Activities		(3,976)	-	(1,354)	-
Payment of principal portion of lease liabilities (IFRS 16)		(3,976)	-	(1,354)	-
Net (decrease)/increase in cash and cash equivalents		49,251	(71,410)	10,495	(18,864)
Cash and cash equivalents at the beginning of the year		112,844	184,254	63,504	82,368
Cash and cash equivalents at the end of the year	23	162,095	112,844	73,999	63,504

The money market instruments on the face of the SOFP amounting to P748 million (2018: P1,205 million) are policyholder assets and are not available for use by BIHL. As a result, the change in cash flows of the money market instruments have been included in the net cash flows from investing activities on the statement of cash flows.

Basis of Presentation and Accounting Policies

GENERAL INFORMATION

The Company and its subsidiaries ("the Group") underwrite all classes of long-term insurance, legal insurance, administer deposit administration schemes, manage investments and administer life and pension funds. It is also exposed to funeral services, short term insurance and micro lending through its associated companies.

The Company is a limited liability company incorporated in Botswana. The Company is listed on the Botswana Stock Exchange

The Group's ultimate parent company, Sanlam, holds 58% of the Company's stated capital. Sanlam is one of the leading financial services groups in South Africa. It is listed on the JSE Securities Exchange in Johannesburg and on the Namibian Stock Exchange.

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Group and company annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act (CAP 42:01), the Insurance Industry Act, 2015 and the Botswana Stock Exchange Act. The financial statements have been prepared on the historical cost convention, modified by measurement at fair value for financial assets, policyholder liabilities and investment properties. The accounting policies of the Group are the same as the accounting policies for the Company, except for accounting policies regarding the investments in subsidiaries, associates and joint venture.

The consolidated financial statements are presented in Pula (P'000), which is the Company's functional currency and the Group's presentation currency. All values are rounded to the nearest thousand, unless otherwise stated.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on page 145. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

2. BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, the amount of any non-controlling interest in the acquiree and the fair value of any previously held interest. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed an asset or liability, will be recognised in accordance with IFRS 9 either as fair value through profit and loss or as fair value through other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

3. CHANGES IN ACCOUNTING POLICIES

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. We believe the standards particularly IFRS 9 had an impact on the Group AFS.

Basis of Presentation and Accounting Policies (Continued)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes - Income tax consequences of payments on financial instrument classified as equity	1 January 2019

IFRS 16 Leases

IFRS 16 – Leases replaces IAS 17 – Leases along with three interpretations (IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC 15 – Operating Leases Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new Standard has been applied from 1 January 2019 using the modified retrospective approach, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

IFRS 16 abolishes the distinction between an operating lease and a finance lease of lessees. Lessees will recognise a right of use asset and an associated liability at the inception of the lease.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

In applying IFRS 16 for the first time, the Group elected to use the following practical expedients permitted by the standard: To make use of a single discount rate to portfolio of leases with reasonably similar characteristics

- Not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition
- On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining term.
- Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16
- Botswana Life Insurance Limited used hindsight in determining the lease extension period where the leasing contract contained an option to extend the lease period.

The Group elected to elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date The Group relied on its assessment made applying IAS 17 and IFRIC 4.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.45%. The effects of adoption as at 1 January 2019 are shown below:

Impact on the statement of financial position (increase/(decrease):

	1 January 2019 Group	1 January 2019 Company
Assets		
Right-of-use assets	19,305,633	15,464,620
Liabilities		
Lease liabilities	19,305,633	15,464,620

Impact on the statement of profit or loss for 2019 - Group

	Per IAS 17	Per IFRS 16	Change/ impact
Depreciation expense	-	4,871,646	4,871,646
Operating lease expense*	5,692,390	-	5,692,390
Operating profit	(5,692,390)	(4,871,646)	(820,744)
Finance cost	-	1,110,476	1,110,476
Profit before tax	**(5,692,390)**	**(5,982,122)**	**(289,732)**
Income tax expense			63,741
Profit for the year			**(225,991)**

Basis of Presentation and Accounting Policies (Continued)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impact on the statement of profit or loss for 2019 - Company

	Per IAS 17	Per IFRS 16	Change/ impact
Depreciation expense	-	2,209,231	2,209,231
Operating lease expense*	2,082,613	-	2,082,613
Operating profit	(2,082,613)	(2,209,231)	(126,618)
Finance cost	-	729,333	729,333
Profit before tax	**(2,082,613)**	**(2,938,564)**	**(855,951)**
Income tax expense			188,309
Profit for the year			**(667,642)**

** There is no longer an "operating lease expense" as a right of use asset and lease liability have been recognised, which incur depreciation and interest expense*

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	(BWP) Group	(BWP) Company
Total operating lease commitments disclosed at 31 December 2018	**13,606,112**	**4,130,745**
Recognition exemptions:	-	-
- Leases of low value assets	-	-
- Leases with remaining lease term of less than 12 months	-	-
Variable lease payments not recognised	-	-
Other adjustments relating to commitment disclosures		
Operating lease liabilities before discounting	13,606,112	4,130,545
Discounted using incremental borrowing rate	(2 004 239)	(105,856)
Operating lease liabilities	**11,601,873**	**4,024,889**
Extension and termination options reasonably certain to be exercised	7,703,760	11,439,741
Residual value guarantees	-	-
Finance lease obligations	-	-
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**19,305,633**	**15,464,620**

IFRIC 23 Uncertainty over income tax treatments

Effective for annual periods beginning on or after 1 January 2019

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

1. Whether an entity considers uncertain tax treatments separately
2. The assumptions an entity makes about the examination of tax treatments by taxation authorities
3. How an entity determines taxable profits (tax loss), tax base, unused tax losses, unused tax credits and tax rates
4. How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group have tax assets or liabilities and the impact on the financial statements of the Group has been considered immaterial.

Standards issued but not yet effective

Standards issued but not effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

New or revised standards and interpretations:

New or revised standards	Effective for accounting period beginning on or after
The Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17 Insurance contracts	1 January 2021*
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

** It is expected to be pushed out by the IASB to 01 January 2022*

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Group and Company except for IFRS 17 as listed below:

IFRS 17 Insurance Contracts

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Basis of Presentation and Accounting Policies (Continued)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts
- The main features of the new accounting model for insurance contracts are, as follows:
- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the profit or loss, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for reporting periods starting on or after 1 January 2023 with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17, together with IFRS 9, will result in a profound change to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

Initial work performed on the impact of IFRS 17 indicates that there will be a significant impact on the underlying valuation models, systems and processes. The Group is in the process of assessing the requirements of the standard against current data, processes and valuation models and is expected to finalise this assessment during 2020.

Basis of Presentation and Accounting Policies (Continued)

4. ABBREVIATIONS AND KEY

DPF	Discretionary participation features
PVIF	Present value of in-force business
DAC	Deferred acquisition cost
IBNR	Claims incurred but not yet reported

A glossary of insurance specific terminology:

Insurance contract	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affect the policyholder.
Investment contract	Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of non-financial variable that the variable is not specific to a party to the contract.
Life Insurance	Contract under which the term of insurance covers a period longer than 12 months. For example, Whole life or term insurance.
Investment management services	Managing of investments, for which a service fee will be charged.
Reinsurance	Insurance risk is ceded to a reinsurer, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Premiums earned	Premiums earned are when it is payable by the policyholder.
Premiums written	Premiums written are on accepting the insurance contract by the policyholder.
Unearned premiums	Reserve for premiums received for which the underlying risks have not yet expired. This reserve is released over the term of the contract as the underlying risk expires.
Discretionary Participation Feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits: a) that are likely to be a significant portion of the total contractual benefits; b) whose amount or timing is contractually at the discretion of the issuer; and c) that are contractually based on: i. the performance of a specified pool of contracts or a specified type of contract ii. realised and/or unrealised investment returns on a specified pool of assets held by the insurer; or iii. the profit or loss of the company, fund or other entity that issues the contract.
Liability adequacy test	Reassessment of the sufficiency of the insurance liability to cover future insurance obligations.
PVIF	Present value of the entity's interest in the expected pre-tax cash flows of the in-force business acquired.
Deferred revenue	Initial and other front-end fees for rendering future investment management services, which are deferred and recognised as revenue when the related services are rendered.
Assumptions	Underlying variables and uncertainties, which are taken into account in determining values, which could be insurance contract liabilities or financial assets fair value.
Benefit experience variation	Difference between the expected benefit pay-out and the actual pay-out.
IBNR	Claims incurred by the policyholder but not yet reported to the insurance company.
Embedded value	This is an estimate of the economic worth of a life insurance business. The measurement principles however do differ from the measurement principles under IFRS.
IFRS 4	International Financial Reporting Standard that regulates the accounting for Insurance Contracts.

Basis of Presentation and Accounting Policies (Continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group makes judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. Several sources of uncertainty need to be considered in the estimate of the liability that the company will ultimately pay for such claims. In particular, the claims arising from HIV and AIDS related causes.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the group's own experience. The estimated number of deaths influences the value of the benefit payments and the valuation of premiums. The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity. The longevity risk has been allowed for in the annuity portfolio. For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on the medium to long-term inflation assumption for the Botswana plus a risk gap for different asset classes.

The balance of policyholder liabilities at 31 December 2019 was P10.444 million (31 December 2018: P9.859 million). Refer to statutory actuary's report for assumptions on the actuarial valuation of the liability.

(ii) Fair value of investments in un-quoted equity and other loan advances

The investments in un-quoted equity instruments and loan advances have been valued based on the expected cash flows, discounted at the current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to significant judgement. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values.
The judgements include considerations of liquidity risk, credit risk, and model inputs such as discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The carrying amount of these instruments at year end was P267 million (2018: P885 million).

(iii) Impairment of financial assets

Financial assets at amortised cost have been impaired based on the expected cash flows, discounted at the current rates applicable for items with similar terms and risk characteristics. This impairment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to uncertainty. Impairment losses written off in the current year amounted to PNIL (31 December 2018: PNIL).

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when indicators of impairment exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. There were no impairment losses written off during the year.

Basis of Presentation and Accounting Policies (Continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

v) Determination of fair value of investment properties

Investment property comprise properties held to earn rental income and /or capital appreciation. Investment properties are carried at fair value based on valuations by independent valuators. Fair value is determined by discounting expected future cash flows at appropriate market interest rates. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The valuators have appropriate qualification and extensive experience in property valuation in Botswana. Refer to note 4.4.

(vi) Deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised to the extent that it is probable that there will be sufficient taxable temporary differences to net off against the deductible temporary difference or sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are recognised in respect of tax losses to the extent that there is convincing evidence that that taxable profit will be available, against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

(vii) Liability for Life Insurance Contracts

The liability for Life Insurance contracts is based either on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimates of future cash flows.

All acquisition costs in respect of the sale of new policies are recognised in the profit or loss in the year of sale and are not deferred.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group business base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted where appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide-ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sale trends. Credible own experience is used in establishing these assumptions.

Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The carrying value at the reporting date for Life Insurance contract liabilities are P10.444 million (31 December 2018: P9.859 million) - refer to note 8.1 for assumptions on the actuarial valuation of the liability.

Bonus stabilisation reserves

The group business and individual stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the actuarial liabilities, a positive bonus stabilisation reserve is created which will be used to enhance future bonuses. Conversely, if the fair value of assets is less than the actuarial liabilities, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Bonus stabilisation reserves are included in long-term policy liabilities. The carrying value included in the liabilities is P26.4 million (2018: P28,4 million).
Refer to statutory actuary report for assumptions on the actuarial valuation of the liability.

Provision for future bonuses

Future bonuses of 3% (2018: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business

The business is valued on a prospective basis assuming 3% (2018: 3%) per annum bonus rates going forward and allowing for prescribed margins.

Basis of Presentation and Accounting Policies (Continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Individual stable bonus and market-related business

For policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. No second tier margins are held on this business, except to the extent that negative Pula reserves are eliminated. The carrying amount is P24.3 million (2018: P30.5 million).

(viii) Estimates of claims incurred but not reported (IBNR)

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

As the Group does not have significant history of claims from which to develop a claims development pattern, industry averages are used to estimate the IBNR reserve at year-end combined with management's evaluation of the relationship between the business lines and the industry rates. The average industry rates are based on 10% of net written premiums after considering the reinsurance premiums. The claims provision for Legal Guard is based on 10% of claims as allowed by the regulator. The carrying amount of the provision at reporting date was PNIL million (2018: P4.2 million) as the business was sold during the year. Refer to note 11.

(ix) Unexpired risk provisions

An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regards to events that have occurred prior to reporting date. Unexpired risks surpluses and deficits are aggregated where business classes are managed together. No unexpired risk provision was raised at 31 December 2019 or 31 December 2018 as management did not have any reason to provide for this at year-end.

(x) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures several items at fair value.

- Investment property (note 4.4)
- Financial instruments (notes 4, 5,11, and 24)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(xi) Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to specific assets and obligations for the liabilities (in which case it is classified as a joint operation). Factors the group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

Upon consideration of these factors, the Group has determined that its Joint arrangement structure through a separate vehicle (Khumo Property Asset Management (Pty) Ltd) only give rights to the net assets and is therefore classified as a joint venture.

Basis of Presentation and Accounting Policies (Continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Furthermore, effective 1 January 2016, the BIHL Group acquired 50% of a company called Teledimo (Pty) Ltd, which is a non-operating holding company, which holds a 100% investment in a short-term insurance company, Botswana Insurance Company Ltd (BIC). Trans Industries (Pty) Limited (TI) which is a privately-owned company incorporated in Botswana owns the remaining 50% of Teledimo. The shareholders agreement between BIHL and TI provides for 50-50 representation and equal voting rights between the shareholders. BIHL and TI also equally exercise the decision-making authority through a unanimous agreement. Based on the afore mentioned, the Group assessed that it has joint control of BIC and accounts for the joint arrangement as a joint venture using the equity method in the consolidated financial statements whilst it accounts for the joint venture at cost in the separate financial statements of the company.

(xii) Valuation of investments in associates

The investments in associates are considered for impairment at least annually. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data. The value in use calculation is based on a DCF model. The cash flows are derived from budgeted margins based on past performances and management expectations for market developments. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These require significant judgement. The consideration of impairment for Nico and Letshego is discussed further in Note 4.5 of the financial statements.

(xiii) Determination of the incremental borrowing rate (IBR) for Leases

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). In calculating the present value of lease payments, the company uses its IBR at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

(xiv) Consolidation of investment funds

The Group invest in a number of investment funds and have varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager and holds greater than 20% thereof. This conclusion is arrived at after assessing the aggregate economic interests of the Group and the investor's rights to remove the fund manager. The Group assesses its interest in the investment funds on an annual basis to determine if the fund will be consolidated. The non-controlling interest owned by third parties is classified as a financial liability in the consolidated statement of financial position. These interests are classified at fair value through profit and loss and measured at fair value which is equal to the number of units not owned by the Group.

6. OFF-BALANCE SHEET SEGREGATED FUNDS

The Group also manages and administers assets for the account of and the risk of clients. As these are not assets of the Group, they are not recognised in the Group's statement of financial position in terms of IFRS but are disclosed as a note. Refer to note 8.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

a) Revenue from contracts with customers

In terms of IFRS 15, Revenue from contracts with customers, the Group applies a 5-step approach when reviewing customer contracts in order to determine how revenue is recognised. These steps are:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The Group earns its fee revenue from investment management fees, dividends, rental, fair value appreciation on financial instruments and interest. The five-step approach is only relevant to investment management fees which are derived from mandates with customers. Specifically, revenue is recognised as follows:

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers, subject to the provisions of IFRS 15, consists of fees for investment management services which are time based and performance based. Time based fees are recognised as services are rendered and due when billed. Performance based fees are due when a specific-criteria have been met. Refer to note 12.1 for further details.

Fees for investment management services 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.

Performance obligations

Management fee income is generally accrued daily as asset management services are rendered. The investment mandates do not place further pre-conditions and the fees are therefore computed on fixed percentages of the value of assets under management. The fees fall due and payable when billed either monthly, quarterly or bi annually as stipulated in each contract.

Performance fees are fees earned when pre-determined criteria are achieved. The performance fees were generated from one contract which commenced in December 2017. The following criteria are stipulated in the performance contract and were evaluated using the 5-step approach defined in IFRS 15:

Contract criteria:

The performance evaluation of the specified fund is determined over a 12-month period against the fund's annual return target of FABI + 0.50% starting on the 1st of December each year. The performance fee rate is 0.1% of the market value of the fund as at 30 November 2019, which is also the contract evaluation date. The annual performance fees for 2019 are for the period which commenced 01 December 2018 to 30 November 2019. The performance fees are calculated gross of the portfolio management fees. The performance fee is payable net of transaction fees, brokerage fees, agency or subcontractor fees and fiscal charges or levies.

IFRS 15 considerations:

A contract exists between the Group and the Fund. The contract is subject to management fees and performance-based fees

Performance obligations

The performance period and the performance obligations, described above were met as at the evaluation date

b) Insurance revenue

Premium income

The monthly premiums in terms of the policy contracts are accounted for when due. Group life insurance premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. Single premiums on insurance contracts are recognised as income on the date which the policy is effective which is the date when the premium is received. Premium income is reflected gross of reinsurance premiums and premiums payable on assumed reinsurance are recognised when due.

The unearned portion of accrued premiums is included within policyholder liabilities. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Gross changes in the unearned premium provision are recorded against premiums income in the reporting period.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Gross non-life- insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Third party premiums embedded in the products that form part of the premium rate are deducted from the gross premium. Cash-back bonus is provided for as an operating expense and a related provision is recognised in the statement of financial position. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and removed from the premium income in the reporting period.

Reinsurance premiums

Gross reinsurance premiums on life and investment contracts are recognised as a net off against revenue on the earlier of the date when premiums are payable or when the policy becomes effective.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gross non-life reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.
Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts by making use of a prepayment account and adjusting the reinsurance expense in the reporting period.

c) Other revenues

Investment income

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.
Dividend income is recognised when the shareholder's right to receive payment is established through approval by the shareholders.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Reinsurance assets

The Group cedes insurance risk on risk policies with an insured value that exceeds a certain threshold, which is set and revised by management from time to time. Reinsurance assets represent balances due from reinsurance companies. Reinsurance asset amounts are estimated in a manner consistent with the outstanding claims provision and the long term insurance liabilities and are in accordance with the reinsurance contract.

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged to the income statement. 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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed what the balance would have been, at the date of reversal, if the impairment loss was not recognised in the past.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Benefits, claims and expenses recognition

Gross benefits and claims

Life insurance policy claims received up to the last day of each financial period are provided for and included in policy benefits. Life insurance policy claims include a provision for incurred but not reported claims at year- end.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-life insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of the payment date or the date on which the policy ceases to be included in long-term policy liabilities.
Provision is made for underwriting losses that may arise from unexpired insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Claims recoveries from reinsurance policies are recognised concurrently with the recognition of the related policy benefit. Premiums payable on reinsurance are recognised when due.

Claims handling costs are accounted for separately.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Amounts recoverable from reinsurers or outstanding claims are shown as a deduction from the gross benefits.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries as at 31 December 2019. The reporting dates of the subsidiaries and the Group are within three months of the Group's reporting date and all use consistent accounting policies. In the company only accounts, Subsidiaries, associates and Joint ventures are accounted for at cost less accumulated impairment losses.

(i) Subsidiaries

Subsidiaries are those entities in which the Group has an interest and control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Where the reporting date of the subsidiary is different from the Group, adjustments are made for the effects of any major transactions or events that occur between the reporting date of the subsidiary and that of the Group.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Associates

Investments in associates are accounted for using the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income/equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. The Group's share of post-acquisition profits or losses are based on the earnings attributable to the owners of the associates (after tax and non-controlling interest in the associates). Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence even if it has less than 20% voting rights, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and it's carrying value and recognises the amount to 'share of profit/(loss) of an associate' in the income statement.

(iii) Interest in a joint venture

The Group has an interest in joint arrangements, which are a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate legal entity in which each venturer has an interest in only the net assets of the separate entity. The Group recognises its interest in the joint ventures using equity accounting.

The year-ends of the group's joint ventures are 31 October and 31 December. Adjustments are made for any significant transactions or events in the intervening period between 31 October and the group's reporting date.

(iv) Acquisition of non-controlling interests

Non-controlling interests represent the equity of the subsidiary not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Transactions with non-controlling interest leading to changes in ownership interest without control being affected are accounted for in equity as transactions with owners.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposa

Financial instruments

Financial instruments carried on the statement of financial position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and payables. Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.
Financial instruments are classified, at initial recognition, as measured at;

- amortised cost, or
- fair value through profit or loss (either mandatory or designated)

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

Initial recognition & measurement
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised cost comprise of insurance and other receivables and amounts owing by related parties.

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have any assets held at fair value through other comprehensive income.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. In addition, the group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition the group designates a financial asset as at fair value through profit or loss when doing so results in more relevant information either because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities; or a group of financial assets and liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel.
- the following investments in financial assets are designated as at fair value through profit or loss for policyholders and shareholders:
  - Corporate and Quasi government bonds
  - Fixed Interest Securities
  - Equity investments - listed
  - Equity investments - unlisted
  - Policy loans and other loan advances
  - Money market instruments

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis.
A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the income statement as net loss from financial assets held at fair value through profit and loss.

Derecognition
A financial asset is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when: The rights to receive cash flows from the asset have expired, or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
- the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the ass

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay

Financial liabilities

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include investment and insurance contract liabilities designated upon initial recognition as at fair value through profit or loss. Gains and losses on financial liabilities held at fair value through profit or loss are recognised in profit or loss. The fair value of the investment contract liabilities is determined by the fair value of the underlying financial assets that are directly backing the financial liability.

Other liabilities such as trade and other payables and amounts owing to other related companies are initially measured at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss.

Derecognising financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative Financial Instruments
The Group is exposed to certain risks relating to its ongoing business operations. The primary risk, which is managed using derivative instruments is the foreign currency risk relating to the company's investment in foreign currency denominated financial instruments. The derivative instruments reflect the change in fair value of Foreign Exchange Swap transaction contracts that are intended to reduce the level of foreign currency risk. These derivatives are measured at fair value through Profit and Loss. The company does not apply hedge accounting.

Impairment of financial assets and non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired.

Financial assets at amortised cost
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases,
the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are 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.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
For the purpose of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

Impairment of non-financial assets
Assets that are subject to depreciation/amortisation, except intangible assets 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units) that are largely independent from cash inflows generated by other asset(s) or group(s) of assets. Non-financial assets are only considered in cash generating units if the individual asset cannot generate cash inflows that are largely independent from cash inflows generated by other asset(s) or group(s) of assets.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators of comparable assets.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 and at bank and funds on deposit.

Foreign currency translation
(i) Functional and presentation currency
The consolidated financial statements are presented in Botswana pula, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences on remeasurement and settlement of monetary items are taken to profit or loss.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non -monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively). Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iii) Foreign operation financial statements
The functional currency of the foreign operations, African Life Financial Services Limited Zambia and Quantum Assets Zambia Limited, is Zambian Kwacha. The group is also invested in an associated company in Malawi whose functional currency is the Malawian Kwacha. As at the reporting date, the assets and liabilities of the associate and subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the income statement is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the profit or loss with disposal of the subsidiary.

Property and equipment & owner-occupied property
Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Land is not subject to depreciation. Owner occupied property comprises of land and building held for use in the supply or for administration purposes.

The following are the applicable useful lives;

Buildings	20 years
Furniture and fittings	5 – 10 years
Computer equipment	4 years
Motor vehicles	4 years
Leasehold improvements	lower of lease term and useful life of improvements (5 - 10 years)

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset if the recognition criteria are met. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation commences when the item of property and equipment is available for use as intended by management and ceases when the item is derecognised or classified as held for sale or included in a discontinued operation. Depreciation ceases temporarily while the residual value is equal to the carrying value.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

All assets are tested for impairment on an annual basis and the asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite live are amortised over the useful economic life and assessed for impairment at each reporting date and whenever there is an indication that the intangible asset is impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each financial year end. Changes in the expected useful life and the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method as appropriate and treated as changes in accounting estimates. The amortisation expense is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortisation commences when an intangible asset is available for use and ceases at the earlier of the intangible asset being classified as held-for-sale and the date that the assets is derecognised.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in the income statement when the asset is derecognised.

(i) Computer software

Generally, costs associated with purchasing computer software programmes are capitalised when the requirements for capitalisation are met. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Costs that are clearly associated with an identifiable system, which will be controlled by the Group and which have a probable benefit beyond one year, are recognised as an asset provided they meet the definition of development costs. Computer software development costs recognised as assets are amortised in the income statement on the straight-line method over their useful lives, not exceeding a period of three years and are carried in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses. The carrying amount, useful lives and amortisation methods of assets are reviewed and adjusted if appropriate at each reporting date.

(ii) Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the acquisition date fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area
- of operations Or
- Is a subsidiary acquired exclusively with a view to re-sale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 4.6. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Taxes and Value Added Tax (VAT)

(i) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss, unless the underlying transaction was recorded directly in other comprehensive income or equity. In such an instance the deferred tax is recorded in other comprehensive income and equity as well.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ii) Current income tax

Current taxation is charged on the net income for the year after taking into account income and expenditure, which is not subject to taxation, and capital allowances on fixed assets. Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in the income statement. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Value Added Tax (VAT)

Revenue, expenses and assets are recognised net of the amount of the VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Stated capital

Stated capital is recognised at the fair value of the consideration received by the Company. Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group entity purchases the company's own equity stated capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Employee benefits

(i) Pension obligations

The defined contribution plan

The Group operates a defined contribution plan. Under the defined contribution plan;
(a) the group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post employment benefits received by the employee is determined by the amount of contributions paid by an entity (and also the employee) to a trustee administered fund, together with investment returns arising from the contributions; and
(b) in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee. Defined benefit contributions are recognised as expenses when incurred.

(ii) Medical aid

In terms of employment contracts and the rules of the relevant medical aid scheme, medical benefits are provided to employees. The Group subsidises a portion of the medical aid contributions for certain employees. Contributions in relation to the Group's obligations in respect of these benefits are charged against income in the period of payment.

The Group has no post-retirement medical funding obligations.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises a liability and expense for termination benefits at the earlier of the following dates:
(a) when the entity can no longer withdraw the offer of those benefits; and
(b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.
Termination benefits are normally paid off within 12 months, hence they are not discounted.

(iv) Leave pay accrual

The Group recognises, in full, employee's rights to annual leave entitlement in respect of past service. The recognition is made each year-end and is calculated based on accrued leave days not taken at the year-end. The charge is made to expenses in the income statement and trade and other payables in the statement of financial position.

(v) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus is recognised in trade and other payables, when there is no realistic alternative but to settle the liability when both of the following conditions is met:

- the Group has a present legal or constructive obligation to make such payments as a result of past events and;
- a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

vi) Share-based compensation

Employees of the Group receive remuneration in the form of share-based payment compensation, whereby employees render services as consideration for equity instruments. Until 2009, the group has been operating an equity settled group share based payment scheme. The scheme is divided into two, one for management staff and one for other staff. The objective of the scheme was to retain staff. The scheme will continue until the entire granted shares vest but there will not be any new allocations under the scheme. Transactions within the management scheme and the staff scheme are accounted for as equity settled.

In 2010, the Group introduced two additional schemes to replace the old scheme: The Share Option Scheme (SOS) and the Conditional Share Plan (CSP).

Share Option Scheme (SOS)

All employees are eligible to participate on the scheme based on performance. Each employer company recommends to the HR Committee which employees it intends to incentivise by making offers subject to the approval of the HR Committee. Options are exercised by payment of the offer price after the vesting date. The vesting period is three years. The subsidiaries accounts for the awards as cash settled while the Group and Holding Company accounts for the awards as equity settled.

Conditional Share Plan (CSP)

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the Group. The awards are given as grants. The awards are aligned to strategic periods and targets. Vesting is based on a future date in line with specific strategy period and subject to specific performance criteria. The subsidiaries accounts for the awards as cash settled while the Holding Company accounts for the awards as equity settled.

Equity-settled transactions

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The fair value of options at grant date is expensed over the vesting period. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, if all other performance and/ or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 21. For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the obligation by taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BIFM CEE Share Option Scheme (CEESOS)

"BIFM ""the Company"" implemented a Citizen Economic Empowerment Share Scheme ("the Scheme") in 2018, whereby the Company issued 25.1% of its ordinary share capital to citizen employees of the Company. The Scheme aims to fulfil the following motives of the Company;

- to meet the requirements of the key clients in the market regarding Citizen Economic Empowerment;
- to attract and retain key local skills within the Company;
- to empower citizen employees economically; and
- to align the interest of staff with those of the clients. "

At the inception of the CEESOS, BIFM issued 21,849,246 additional shares (representing 25.1% of issued capital of the Company). The additional issued share capital was independently valued by Deloitte at P64.7m. The 25.1% issued capital was issued in the following manner;

At the commencement of the scheme:

- 11% (9,575,368 shares) was immediately allocated to existing employees as participatory shares to be purchased by the employees at arms length with the aid of BIFM staff loans.
- 4% (3,481,950 shares) was reserved in the BIFM CEE Share Trust (A Trust formed in 2018 to hold shares in BIFM on behalf its employees) for future allocation to employees. These shares were originally part of a 15% allocation toward the participatory shares and were transferred to the BIFM CEE Share Trust after 11% was taken up by staff in February 2018.
- 10.1% (8,791,928 shares) was issued to the BIFM CEE Share Trust to hold on behalf of the BIFM employees to be allocated annually in the form of grants with a vesting period of 3 years

BIFM Company accounts for the awards as cash settled. As a result of the issue of the shares to employees, BIHL Group lost part of its interest in BIFM Holdings from 100% to 89%. The impact of this dilution is disclosed in the Statement of changes in Equity.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Hence, dividends proposed or declared after the period ends are not recognised at the reporting date. Dividends that are approved after the reporting date but before the financial statements are authorised for issue are disclosed by way of a note to the financial statements together with the related per share amount. The withholding taxes are accrued for in the same period as the dividends to which they relate. Withholding taxes at the statutory rate of 7.5% are deducted from the total dividend declared. Where the Company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

Selling expenses

Selling expenses consist of commission and bonuses payable to sales staff on long-term insurance business and expenses directly related thereto. Commission on life business is accounted for on all in-force policies in the financial period during which it is incurred.

Administration expenses

Administration expenses include, inter alia, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs and are recognised on an accrual basis. Expenses incurred by functional departments are allocated to group and individual business, and then furthermore for individual business by acquisition and maintenance in accordance with the function performed by the departments. Premium collection costs are accounted for on the accrual basis.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRC 4.

Policy applicable to contracts entered into, or changed, on or after 1 January 2019

At inception of a contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset, if the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Policy applicable to contracts entered into, or changed, before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset of one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The Group has nine (9) rental leases that make up the Right-of-use assets around the country.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term which is also the useful life of the right-of-use asset. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

Buildings – 2 to 8 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit of the lease or, if that rate cannot be readily determined, the Groups' incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payment;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period of the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

After the date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lessee under IAS 17

An operating lease is one in which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operation lease. The group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset, then the lease is a finance lease; if not, then it is an operating lease. The Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.
If the arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Lessor under IAS 17

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Contingent liabilities and assets

Possible obligations of the Group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and present obligations of the Group arising from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group consolidated statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Non-distributable reserves

Non-distributable reserves include the following:

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long term policy liabilities and assets supporting these liabilities. Certain assets held in policyholder portfolios may be measured on a basis inconsistent with that of the corresponding liability by IFRS. The consolidation reserve is created for the effect of treasury shares, which represents BIHL shares purchased and held within the Group, but are supporting policy holder liabilities which are measured at fair value. The cost of treasury shares is deducted from equity through a separate reserve account called a treasury share reserve. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve, which is a capital reserve.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The reserve represents temporary mismatch in that the reserve will reverse when the affected investments are realised through sale to parties external to the group.

Capital Reserve Account- Life Insurance

The provision of the Insurance Industry Regulation of 2019 requires a long-term insurer t maintain a minimum capital which shall be higher of P10 million or an amount representing 25% of operating expenses as defined and reported in the annual return, estimated for the following year. Previously, the provisions of the Insurance Industry Act (section 9 of the Insurance Industry Act (Chapter 46:01)) required that 25% of the surplus arising in a year should be transferred to this reserve. This reserve could be utilised at least once every five years to increase the paid-up stated capital of the Company.

Capital Reserve Account- Short term Insurance

The Non- Bank Financial Institutions Regulatory Authority Act requires that 15% of the net profit after tax be transferred to a Capital Reserve account. This reserve is used solely for increasing the company's paid- up stated capital.

Statutory Reserve Solvency Account

The Insurance Industry Act (Chapter 46:01) requires that 10% of the company's gross profit be transferred to a Statutory Reserve Solvency account provided the amount so transferred in each year is limited to 25% of the previous year's gross premium. The reserve can only be reduced or encumbered upon written notice from the Registrar. Gross profit means chargeable income of the insurer as ascertained under part VI of the Income Tax Act.

Share Based Payment Reserve

This is associated with equity settled share-based payment compensation as described in the heading Employee Benefits.

Treasury Share Reserve

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Group own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase sale, or cancellation of own equity instruments.

Foreign Currency Translation Reserve

The translation reserve comprises of all foreign exchange differences arising from translation of investment of foreign investments in associates and a share of other comprehensive income of an associate emanating from the translation of the financial statements of its foreign operations.

Insurance Contracts Liabilities

The Group's main insurance products are;

- non-participating annuities;
- employee benefits;
- universal individual life product "Mompati" and;
- insurance contracts with discretionary participation features

Mompati is a universal life product designed to provide insurance benefits such as life cover, disability and hospitalisation benefits under an umbrella product with an investment component. The product also allows for funeral cover for the main member as well as his/her family members. The value of the investment account is paid in the event of maturity or surrender. The investment account is credited with premiums received (net of expense charges, commission and the cost of risk benefits) and investment returns.

The policyholder liability for annuities includes a mismatch and re-investment reserve. Its purpose is twofold:

- To ensure that the Group is able to withstand any losses due to the mismatch of asset and liability cash flows
- To provide against reinvestment risk that arises because of the duration of the assets being shorter than the liabilities. The shorter term of the assets may result in future asset proceeds being re-invested on less favourable terms than were available at policy inception. The Group is exposed to financial risk if the investment returns on re-invested asset proceeds are lower than were allowed for in the product pricing.

Valuation bases and methodology

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement are set out below: The value of policy liabilities at 31 December 2019 and 31 December 2018 exceeded the minimum requirements in terms of the Insurance Industry Act and NBFIRA's.

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The entity calculates discounted cashflow reserves, bonus stabilisation reserves, unit reserves, sterling reserves, unexpired premium and unexpired risk reserves, IBNR and discretionary reserves (including data reserves).

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discounted cash flow reserves are calculated using the gross premium valuation method. The liability is determined as the sum of the discounted value of expected future benefits (including any declared bonuses), claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected premiums and investment income from assets backing the reserves, which are directly related to the contract. Bonus stabilisation reserves are calculated for contracts with discretionary benefits, by building up retrospective reserves with policyholder allocated profits. To the extent that these reserves differ (less or more) from the calculated discounted cash flow reserves, the insurer holds bonus stabilisation reserves.

Unit reserves are set equal to the value of unitised funds underlying unit-linked contracts, by multiplying number of units by the price of these units. The company also has Pula reserves under its unit-linked contracts. These are calculated using the gross premium valuation method and represent the liability faced by the insurance company, that relate to cash flows the insurer will be liable for under a contract after setting up the unit reserves. The liability is determined as the sum of the discounted value of expected future benefits in excess of any unit-linked benefits, claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected charges and investment income from assets backing the Pula reserves, which are directly related to the contract.

The liability calculations are based on current assumptions, including allowance for compulsory and discretionary margins as per Botswana regulation IPR1L. Discretionary reserves are also held, some of which are based on judgement (e.g. expert data reserves) and others are built up and released using specifically developed methodologies. Furthermore, the liability for life insurance includes provisions for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the company. Adjustments to the liabilities at each reporting date are recognised in the profit or loss. The liability is derecognised when the contract expires, is discharged or is cancelled.

Classification of contracts

A distinction is made between investment contracts (which fall within the scope of IAS 39 Financial Instruments: Recognition and Measurement), investment contracts with discretionary participating features and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 Insurance Contracts).A contract is classified as insurance where the Group accepts significant insurance risk by agreeing with the policyholder to pay significant additional benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise of the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the BIHL Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The company uses an industry average to calculate the cost. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The provision for unearned premiums represents that portion of premiums received that relates to a risk period beyond the current financial period. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Investment contract liabilities

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position, known as deposit accounting.
Fees charged and investment income received is recognised in the income statement when earned.
Fair value adjustments are performed at each reporting date and are recognised in the income statement. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and liabilities used to determine the unit-prices at the reporting date are valued on the bases as set out in the accounting policy for investments. It was not considered necessary to exclude intangible assets, which are inadmissible assets for prudential regulatory purposes, from the value of the assets for the purposes of the financial statements.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

Investment contracts expose the investor to financial risks.

Capital and Risk Management

The business is exposed to various risks in connection with its current operating activities. These risks contribute to the key financial risk that the proceeds from the business's financial assets are not sufficient to fund the obligations arising from insurance and investment policy contracts and the operating activities conducted by the business. The business has an integrated approach towards the management of its capital base and risk exposures with the main objective being to achieve a sustainable return on embedded value at least equal to the business' cost of capital.

The business is exposed to various risks that have a direct impact on the business's capital base and earnings, and as such return on embedded value. The management of these risks is therefore an integral part of the business' strategy to maximise return on embedded value. The business' risk exposures can be classified into the following broad categories:

- Financial risks affecting the net asset value of the shareholders' fund (Note 24);
- General operational risks; and
- Long-term insurance risks;

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2019.

The Group monitors capital using a capital adequacy requirement. Capital adequacy implies the existence of a buffer against experience worse than assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities.

The Group complied with all externally imposed capital requirements. The provisions of the Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to a capital reserve. This reserve can be utilised at least once every five years to increase the paid-up stated capital of the Group.

Capital includes shareholders equity and long-term debt. As at year end there was no long-term debt.

	2019 P000	2018 P000
Shareholder's equity	2,926,943	2,815,723
Prescribed Capital Target (Life business only)	321,268	279,774
Ratio of Excess Assets to Prescribed Capital Target (Life business only)	6.32	6.95

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group.

The Group operates within a decentralised business model environment. In terms of this philosophy, the BIHL Board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL Board.

Basis of Presentation and Accounting Policies (Continued)

Other Risk Monitoring Mechanisms

BIHL Board: Reviews and oversees the management of the Group's capital base

Actuarial Committee: Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Compliance: Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

Group Risk Forum: Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the BIHL Board

Non-listed Asset Review: Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the BIHL Board

Chief Financial Officer: Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial: Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

Group Governance/ Secretariat and Public Officers: Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Forensics: Investigates and reports on fraud and illegal behaviour in business

Investment Committee: Determines and monitors appropriate investment strategies for policyholder solutions

Credit Review Committee: Reviews, assesses, approves and monitors specific counterpart credit risk as well as to manage the credit risk inherent in the portfolios on an on-going basis

Group IT Risk Management: Manages and reports Group-wide IT risks

Risk Officer (per business): Assists business management in their implementation of the Group risk management process, and to monitor the business' entire risk profile

Internal Audit: Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are: The BIHL Group Enterprise Risk Management (ERM) Policy; Group Risk Escalation Policy; Group Business Continuity Management Policy;

These policies were developed by Group Risk Management and have to be implemented by all Group businesses. The maturity of the implementation does however vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Group Risk Forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the ERM Policy.

BIHL Group Enterprise Risk Management Policy

The Group ERM policy includes the following components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

BIHL Group Risk Escalation policy

The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the BIHL Group level. This includes quantifiable and unquantifiable measure.

General operational risks

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted based on the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business's securities. To ensure validity, all transactions are confirmed with counter-parties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews.

The BIHL Investment Committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters.

The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the chairperson of the Audit and Risk Committee and has unrestricted access to the chairperson of the Committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are EY. The report of the independent auditors for the year under review is contained on page 112-114 of these financial statements. The external auditors provide an independent assessment of certain systems of internal financial control, which they may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. A compulsory rotation of audit partners has also been implemented.

External consultants

The Group appoints external consultants to perform an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk

IT risks are managed across the Group in an integrated manner following the Enterprise Risk Management framework. Group IT is the custodian of the Group's IT Policy framework and ensures explicit focus on, and integration with the Group's

Basis of Presentation and Accounting Policies (Continued)

IT Governance framework, which includes the governance

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of Information Security. The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. A quarterly IT Governance report, summarising the Group-wide situation is also delivered to the Risk and Compliance committee.

Going concern /business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that BIHL will continue as a going concern. Reflecting on the year under review, the Directors considered an opinion that adequate resources exist to continue business and that BIHL will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of Directors in the annual financial statements.

Compliance risk

Laws and regulations:

BIHL considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:

Rules for clients' investment instructions are loaded on an order management system, which produces post trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken, depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Head of Investment Operations on a monthly basis.

Fraud risk

The BIHL group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group' code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the BIHL group is designed to counter the threat of financial crime and unlawful conduct.

A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The Chief Executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Board of BIHL. Quarterly reports are submitted by Group Forensic Services to the BIHL Audit and Risk Committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Legal risk

Legal risk is the risk that the business will be exposed to contractual obligations that have not been provided for, particularly in respect of policy liabilities. The risk also arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of Group's counter-parties, including contractual provisions intended to reduce credit exposure by providing for the netting of mutual obligations.

During the development stage of any new product and for material transactions entered into by the business, the legal resources of the business monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. The Group seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Lapse risk

Distribution models are used by the business to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse rates. The design of insurance products excludes material surrender value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Lapse experience is monitored to ensure that negative experience is identified on a timely basis and corrective action taken. The business reserving policy is based on actual experience to ensure that adequate provision is made for lapses.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Legislation risk
The risk is managed as far as possible through clear contracting. The business monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Taxation risk
The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after tax returns, where applicable. The business's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to influence changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Reputation risk
Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk Committee and Board of Directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

Strategy risk
The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual special strategic session of the BIHL Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the BIHL Board, who ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The BIHL Board, which includes the chief executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Long term insurance risk
The Investment Committee and Actuarial Committee are established within the long-term insurance businesses. The principle aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

The business' long-term insurance operations are subject to the general operational risks described above, but also to specific long-term insurance risks, which include the following:

Risk management: per type of risk

Underwriting risk
Underwriting risk is the uncertainty about the ultimate amount of net cash flows from premiums, commissions, claims, and claim settlement expenses paid under a contract and timing risk, defined as uncertainty about the timing of the receipt and payment of those cash flows. Note 24 to the financial statements gives further information on the quantitative aspects of our Insurance risks

Insurance events are random and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per policyholder and manage concentration of risks, the claims handling policy and adequate pricing and reserving. For life insurance products, half yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy
The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/AIDS is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS;

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Reasonable income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of substandard risks;
- The right to re-rate premiums is retained as far as possible. The risk premiums for group risk business and most of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first 5 to 15 years;
- Risk profits are determined monthly;
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary; and
- Expenses are continuously monitored and managed through the business's budgeting process

Reinsurance
All risk exposures in excess of specified monetary limits are reinsured. Credit risk in respect of reinsurance is managed by limiting the business's exposure to companies with high international or similar credit ratings.

Claims risk
The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Non-participating annuities
Interest rate risk is the principle financial risk in respect of non-participating annuities, given the long-term profile of these liabilities. Liabilities are matched with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The duration of annuity assets and liabilities are shown below:

	2019 Years	2018 Years
Liabilities	9.1	9.18
Assets	8.1	8.11

The effect of a 1% upward parallel change in interest rates is approximately P58 million (2018: P56 million) on operating profits while a 1% downward parallel shift has an impact of P76.3 million (2018: -P89.6 million).

The table below indicates the impact of changes in assumptions

P'000	Base value	Investment returns and inflation	Equity and Property prices	Equity and Property returns	Maintenance expense	Discontinuance rates	Mortality and morbidity rates
		-1%	-10%	+1%	-10%	-10%	-5%
2019							
Individual Life Business	2,252,709	2,264,959	2,274,430	2,251,344	2,236,009	2,243,840	2,253,162
Annuity Business	7,826,203	7,816,263	7,826,203	7,826,203	7,817,883	7,826,203	7,907,433
Group Life Business	361,387	361,387	361,387	361,387	360,303	361,387	349,642
Total	**10,440,299**	**10,442,608**	**10,462,020**	**10,438,934**	**10,414,195**	**10,431,430**	**10,510,236**
2018							
Individual Life Business	2,050,290	2,056,719	2,066,881	2,044,243	2,030,546	2,036,557	2,047,825
Annuity Business	7,497,854	7,408,274	7,497,854	7,497,854	7,489,748	7,497,854	7,497,854
Group Life Business	304,851	304,851	304,851	304,851	303,936	304,851	294,943
Total	**9,852,995**	**9,769,844**	**9,869,586**	**9,846,948**	**9,824,230**	**9,839,262**	**9,840,622**

The above sensitivities are after taking into account the re-rating of premiums but before the impact of reinsurance. The impact of reinsurance is not material for the disclosed sensitivities.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sensitivity analysis of insurances risks

Scenario	VIF after tax 2019 P'000	2018 P'000
Base value	1,775,563	1,607,989
Increase risk discount rate by 1%	1,693,182	1,535,659
Decrease risk discount rate by 1%	1,861,422	1,694,118
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	1,894,206	1,672,733
Equities/ property assets fall by 10% without a corresponding fall/ rise in dividend/ rental yield	1,771,235	1,605,928
Increase expected return on equities/ property assets by 1% p.a. due to a change in the equity/ property risk premium with no consequential change to discount rates	1,805,712	1,618,982
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	1,854,976	1,642,737
Discontinuance rates - life insurance business - decrease by 10%	1,857,984	1,657,033
Base mortality and morbidity rates decreased by 5% for life assurance business	1,865,368	1,677,799
Base mortality and morbidity rates decreased by 5% for life annuity business	1,777,020	1,609,384

Capital adequacy risk
The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which in turn is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the Companies' shareholders' fund, (as determined according to IPR3L-Prescibed Capital Target (PCT) for Long-term Insurers by NBFIRA). The Prescribed Capital Target (PCT) for the life business is covered 6.32 times (31 December 2018: 6.95 times).

Concentration of insurance risk
Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could however increase the relative portfolio risk. The tables below provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The figures below represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

Benefits insured per individual life

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2019	2018	2019	2018	2019	2018
P'000	P'000	P'000	%	%	%	%
0 - 500	613,987	634,453	35	35	75	67
500 - 1000	4,030	471	9	9	23	8
1000 - 5000	10,387	345	52	52	2	24
5000 - 8000	214	7	3	3	0	0
> 8000	58	2	2	2	0	0
Total	**628,676**	**635,278**	**100**	**100**	**100**	**100**

Non-participating annuity payable

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2019	2018	2019	2018	2019	2018
P'000	P'000	P'000	%	%	%	%
0-20	2,702	2,416	5	5	6	3
20-40	2,181	1,699	11	11	10	8
40-60	1,530	1,301	13	13	14	15
60-80	1,171	1,020	14	14	15	23
80-100	911	811	14	14	15	31
>100	1,627	1,327	42	42	40	19
Total	**10,122**	**8,574**	**100**	**100**	**100**	**100**

Fair values
The carrying amounts and fair values of financial assets and financial liabilities are the same because financial assets and liabilities are either designated at fair value through profit or loss or have short-term duration such that their carrying amounts approximate fair value.

Notes to the Financial Statements

1 SEGMENTAL ANALYSIS

Basis of segmentation
For management purposes, the group is organised into three principal business areas based on their products and services and these make up the three reportable operating segments as follows:
1) The life insurance segment which provides life insurance services to its customers through Botswana Life Insurance Limited, a subsidiary of the Group.

2) The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited, a subsidiary of the Group.

3) The general insurance segment which provides legal insurance to its customers through BIHL Insurance Company Limited , a subsidiary of the Group until 30 September 2019.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Segment perfomance is evaluated based on operating profit or loss and is measured constistently with operating profit or loss in the consolidated financial statements

Inter-segment transactions that occurred during 2019 and 2018 between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segmental income, segment expense and segment results will then include those transfers between business segments, which will be eliminated on consolidation.

Business segments
At 31 December 2019 the Group's operating businesses are organised and managed separately according to the nature of the products and services offered, with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the Group reports its segment information. The Group is therefore organised into three principal areas of business – Life Insurance, Asset Management Services and General Insurance.

Geographical segments
The Group under its 100% owned subsidiary, BIFM Holdings, has associates in Zambia. For management purposes, the Zambia operations are reported under BIFM Holdings. The group also has a 25.1% stake in a Malawian operation, Nico Holdings Limited. These investments are not material and therefore the Group only has significant operations in Botswana hence a geographical segment analysis has not been provided. The results for African Life Financial Services (Zambia) Limited, Aflife Holdings Zambia Limited Limited and Nico Holdings, the associate companies are disclosed in note 4.5.

Customer segments
No customer contributes 10% or more to the group's revenue.

The amounts used for segment reporting are measured using IFRS principles.

Other segments
Due to their immaterial nature Unit trust business, Holding Company and the Corporate Social Investment Trust are included in the "other segments" column.

Notes to the Financial Statements

(Continued)

1 SEGMENTAL ANALYSIS (CONTINUED)

	LIFE BUSINESS		ASSET MANAGEMENT		GENERAL INSURANCE		ASSOCIATES AND JOINT VENTURES		OTHER		INTER SEGMENTAL		CONSOLIDATED TOTAL	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000
1.1 Segment information by products and services														
Premium revenue	2,597,852	2,349,017	-	-	-	-	-	-	-	-	-	-	2,597,852	2,349,017
Fee revenue														
- Internal	-	-	1,731	616	-	-	-	-	-	-	(1,731)	(616)	-	-
- External	-	-	120,836	123,863	-	-	-	-	(22,422)	(16,842)	-	-	98,414	107,021
Investment income	726,354	558,473	248,261	207,381	-	-	-	-	613,855	449,373	(619,276)	(446,414)	969,194	768,813
Interest income using EIR	8,381	-	-	-	-	-	-	-	2,784	-	-	-	11,165	-
Profit on sale of subsidiary	-	-	-	-	3,472	-	-	-	-	-	-	-	3,472	-
Net gain/(loss) from financial assets held at fair value through profit and loss	(116,259)	(61,028)	159,128	10,266	-	-	-	-	180,243	-	(167,114)	-	55,998	(50,762)
Total net income	**3,216,328**	**2,846,462**	**529,956**	**342,126**	**3,472**	**-**	**-**	**-**	**774,460**	**432,531**	**(788,121)**	**(447,030)**	**3,736,095**	**3,174,089**
Profit before share of profit of associates and joint ventures	394,532	369,178	55,431	88,775	-	-	-	-	361,169	407,877	(416,174)	(456,545)	394,959	409,286
Depreciation	11,299	4,356	3,171	723	-	-	-	-	(885)	1,218	7	-	13,592	6,297
Amortisation and impairment	6,165	3,743	158	3,053	-	-	-	-	539	767	-	-	6,862	7,563
Right-of-Use Asset amortisation	4,872	-	1,916	-	-	-	-	-	2,209	-	(4,125)	-	4,872	-
Income tax expense	94,074	95,126	18,746	14,514	-	-	-	-	(13,900)	1,109	(1)	(15,056)	98,919	95,693
Selling expenses	397,221	310,895	-	-	-	-	-	-	-	-	-	-	397,221	310,895
Net Insurance benefits and claims	1,649,328	1,487,101	-	-	-	-	-	-	-	-	-	-	1,649,328	1,487,101
Change in policyholder liabilities under life insurance contracts	584,757	466,872	-	-	-	-	-	-	-	-	-	-	584,757	466,872
Change in liabilities under investment contracts	-	-	(421,258)	(191,599)	-	-	-	-	-	-	-	-	(421,258)	(191,599)
Total Assets	12,928,868	12,244,887	535,773	6,343,051	-	65,565	-	-	6,612,714	598,160	(3,583,715)	(3,440,539)	16,493,640	15,811,124
Total Liabilities	10,899,230	10,299,551	46,099	5,862,298	-	27,606	-	-	6,038,071	61,667	(3,416,695)	(3,283,004)	13,566,706	12,968,118
Capital expenditure	32,945	18,498	10,270	1,724	-	-	-	-	(5,469)	789	-	-	37,746	21,011
Associates and joint venture														
Share of profit of associates	-	-	-	-	-	-	229,001	166,904	-	-	-	-	229,001	166,904
Impairment (expense)/reversal of associates	-	-	-	-	-	-	(86,768)	(114,033)	-	-	-	-	(86,768)	(114,033)
Investment in associates and Joint ventures	1,217,776	1,171,923	113,275	108,590	-	-	-	-	336,724	340,010	(3,152)	(43,113)	1,664,623	1,577,410

Notes to the Financial Statements
(Continued)

2. PROPERTY AND EQUIPMENT

Group

2019	Owner occupied property P'000	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
Cost						
At 1 January 2019	135,042	42,417	23,489	3,290	28,951	233,189
Additions	-	3,594	1,787	829	2,331	8,541
Discontinued operation	-	(1,352)	(2,220)	(392)	-	(3,964)
At 31 December 2019	135,042	44,659	23,056	3,727	31,282	237,766
Accumulated depreciation						
At 1 January 2019	3,474	37,345	18,750	2,739	15,561	77,869
Current year charge	1,380	2,934	1,463	364	2,579	8,720
Discontinued operation	-	(1,201)	(2,113)	(71)	-	(3,386)
At 31 December 2019	4,854	39,078	18,099	3,032	18,140	83,203
Carrying amount						
At 1 January 2019	131,568	5,072	4,739	551	13,390	155,320
At 31 December 2019	130,188	5,581	4,957	695	13,142	154,562

The gross carrying amount of fully depreciated property and equipment that were still in use amounted to P82.4 million (2018: P78.9 million).

2018						
Cost						
At 1 January 2018	135,042	39,845	22,721	3,290	26,024	226,922
Additions	-	2,572	768	-	2,927	6,267
At 31 December 2018	135,042	42,417	23,489	3,290	28,951	233,189
Accumulated depreciation						
At 1 January 2018	3,105	35,108	17,737	2,389	13,233	71,572
Current year charge	369	2,237	1,013	350	2,328	6,297
At 31 December 2018	3,474	37,345	18,750	2,739	15,561	77,869
Carrying amount						
At 1 January 2018	131,937	4,737	4,984	901	12,791	155,350
At 31 December 2018	131,568	5,072	4,739	551	13,390	155,320

Notes to the Financial Statements
(Continued)

2. PROPERTY AND EQUIPMENT (CONTINUED)

Company

2019	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
Cost					
At 1 January 2019	7,699	2,158	179	5,145	15,181
At 31 December 2019	7,699	2,158	179	5,145	15,181
Accumulated depreciation					
At 1 January 2019	7,335	1,799	179	1,644	10,957
Current year charge	188	108	-	514	810
At 31 December 2019	7,523	1,907	179	2,158	11,767
Carrying amount					
At 1 January 2019	364	359	-	3,501	4,224
At 31 December 2019	176	251	-	2,987	3,414

2018					
Cost					
At 1 January 2018	7,538	2,158	179	5,145	15,020
Additions	161	-	-	-	161
At 31 December 2018	7,699	2,158	179	5,145	15,181
Accumulated depreciation					
At 1 January 2018	6,941	1,528	179	1,130	9,778
Current year charge	394	271	-	514	1,179
At 31 December 2018	7,335	1,799	179	1,644	10,957
Carrying amount					
At 1 January 2018	597	630	-	4,015	5,242
At 31 December 2018	364	359	-	3,501	4,224

Notes to the Financial Statements
(Continued)

2. PROPERTY AND EQUIPMENT (CONTINUED)

2.2 Right-of-use asset

2019	Group P'000	Company P'000
Cost		
At 1 January 2019	19,538	15,465
Additions	6,101	-
At 31 December 2019	25,639	15,465
Accumulated depreciation		
At 1 January 2019	-	-
Current year charge	4,872	2,209
At 31 December 2019	4,872	2,209
Carrying amount		
At 1 January 2019	19,538	15,465
At 31 December 2019	20,767	13,256

The Group leases a number of offices across the country. As at 31 December 2019, a total of 10 offices are leased (9 in December 2018). The leases have remaing lease periods of between 1 years and 7.5 years as at 31 December 2019, inclusive of expected extension periods. All the leases have renewal/extension periods which are expected to be exercised. The lease with the longest life is expected to expire on 30 June 2027 taking into considearation the extension option.

As a result of the adoption of IFRS 16, there has been a change in the accounting treatment of operating leases. The Group has recognised a right of use asset in terms of IFRS 16 which relates to the offices occupied under operating lease arrangements. The addition in 2019 is the Present Value of operating lease commitments for the various offices as at 01 January 2019.

The following assumptions were made in arriving at the valuation:

- Intial term of leases - Ranging from 1 year to 5 years
- Option to extend - Ranging from 1 year to 3 years
- Annual lease escalation rate - Ranging from 5% to 10% p.a.
- Incremental borrowing rate at 4.45%

2.3 Lease liability

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group	Company
Operating lease commitments at 31 December 2018	13,607	4,131
Discounting	(2,004)	(106)
Extension and termination options reasonably certain to be exercised	7,703	11,440
Lease liability on initial recognition on 1 January 2019	**19,306**	**15,465**
Additional lease commitments at present value	6,101	-
Accretion of Interest	1,110	729
Lease payments	(5,086)	(2,083)
As at 31 December 2019	**21,431**	**14,111**
The maturity analysis of the Lease liability is as follows		
Within one year	5,692	2,249
Two to five years	16,478	7,886
More than five years	1,672	6,069
	23,842	**16,205**
Less: Finance charges component	(2,411)	(2,093)
Present value of lease liability	**21,431**	**14,112**

Notes to the Financial Statements
(Continued)

3. INTANGIBLE ASSETS

Group

2019	Goodwill P'000	Computer software P'000	Total P'000
Cost			
At 1 January 2019	114,923	113,612	228,535
Additions	-	15,545	15,545
Discontinued operation	-	(4,533)	(4,533)
At 31 December 2019	114,923	124,624	239,547
Accumulated amortisation and impairment			
At 1 January 2019	51,931	77,150	129,081
Current year amortisation	-	6,862	6,862
Discontinued operation		(623)	(623)
At 31 December 2019	51,931	83,390	135,320
Carrying amount			
At 1 January 2019	62,992	36,462	99,454
At 31 December 2019	62,992	41,234	104,226
2018			
Cost			
At 1 January 2018	114,923	98,868	213,791
Additions	-	14,744	14,744
At 31 December 2018	114,923	113,612	228,535
Accumulated amortisation and impairment			
At 1 January 2018	48,966	72,552	121,518
Current year amortisation	2,965	4,598	7,563
At 31 December 2018	51,931	77,150	129,081
Carrying amount			
At 1 January 2018	65,957	26,316	92,273
At 31 December 2018	62,992	36,462	99,454

Notes to the Financial Statements
(Continued)

3. INTANGIBLE ASSETS (CONTINUED)

Company

2019	Computer software P'000	Total P'000
Cost		
At 1 January 2019	11,908	11,908
Additions	173	173
At 31 December 2019	12,081	12,081
Accumulated amortisation and impairment		
At 1 January 2019	10,823	10,823
Current year amortisation	228	228
At 31 December 2019	11,051	11,051
Carrying amount		
At 1 January 2019	1,085	1,085
At 31 December 2019	1,029	1,029

Company
2018

Cost		
At 1 January 2018	11,281	11,281
Additions	627	627
At 31 December 2018	11,908	11,908
Accumulated amortisation and impairment		
At 1 January 2018	10,054	10,054
Current year amortisation	769	769
At 31 December 2018	10,823	10,823
Carrying amount		
At 1 January 2018	1,227	1,227
At 31 December 2018	1,085	1,085

Impairment testing of goodwill
Goodwill acquired through business combination has been allocated to one cash-generating unit which is equivalent to one of three operating segments of the Group. Goodwill was impaired by NIL (2018: P3 million) for the asset management segment during the year.

Asset management business

	2019 P'000	2018 P'000
Carrying amount of goodwill		
Asset management business	62,992	62,992
Total	62,992	62,992

Management estimates that the recoverable amount of the Asset management cash generating unit (CGU) exceeds or equals the carrying amount. Management estimates include a new review of the performance of CGU when compared to estimates applicable at the original recognition of the goodwill. The performance of the asset management business has shown a positive trend on a year on year basis.

Notes to the Financial Statements
(Continued)

3. INTANGIBLE ASSETS (CONTINUED)

Asset management business
The recoverable amount of the asset management business unit, was determined based on the value-in-use calculation using the cashflow projections on financial budgets approved by senior management covering a 10 year period and perpetual growth of 4% (2018: 3.5%) thereafter. A pre-tax Group specific risk adjusted discount rate of 15% (2018: 16.5%) is used. The projected cashflows are determined by budgeted margins based on past performances and management expectations and market developments.

The key assumptions used for the impairment calculations of the asset management business are:

	2019	2018
Investment income/surplus return	5.6%	6.5%
Investment growth on AUM (after tax)	6.8%	6.2%
Net inflows as a % of AUM	0.0%	-1.0%

Sensitivity to changes in assumptions
For the asset management business, a reasonably possible change in the investment market conditions assumption will cause the carrying amount to exceed the recoverable amount. The actual recoverable amount exceeds its carrying amount by P61 million (2018: P59 million). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction of 2% in the funds flow as a percentage of AUM would result in the reduction in the recoverable amount of the asset management business by P21 million (2018: P36 million).

4. INVESTMENTS

Fair values

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Investments designated as at fair value through profit or loss				
At the beginning of the year	13,045,998	12,716,048	-	-
Net contributions & withdrawals	124,452	50,762	-	-
Fair value adjustments on investments	55,998	(50,762)	-	-
At the end of the year	13,226,448	13,045,998	-	-
4.1 Bond, notes, policy loans and similar securities				
Designated as at fair value through profit or loss				
Bonds (Government, public authority, listed and unlisted corporates)	8,608,179	8,031,912	-	-
Money market instruments	2,834,067	1,204,818	-	-
Other loan advances (Note 4.3)	-	393,951	-	-
Equity investments (Note 4.2)	1,784,202	3,415,317	-	-
	13,226,448	13,045,998	-	-

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

On the 11th of October 2019, BIFM transferred the Pooled funds to newly formed and registered CIU Trusts, effectively moving all thrid party investments off the Bifm balance sheet and retaining the investments and units directly owned by Bifm. The CIU funds are now consolidated in the Group's financials where the Group has invested more than 20% and a corresponding liability to the investors is reflected in note 8.
The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 4.5% to 11.2% (2018: 4.3% to 10.75%). Bond repayment terms range between 0 and 24 years (2018: 0 - 24 years) for all listed and unlisted bonds.

Fair value measurement:
Listed bonds:
The closing prices at the year end have been used to value these investments. Listed bonds have fixed interest rates which range from 4.3% to 10.75%.

Unlisted bonds:
The fair values of unlisted bonds have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset. The cash flows for the unlisted bonds are determined with reference to contractual rates of return and the timing of the cash flow. Refer to Note 25 for the additional disclosures.

For unlisted bonds, interest rates are fixed, with coupon rates falling between 5.2% and 11% (2018: 5.2% and 11%) annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 2 and 23 years (2018: 0 - 24 years) for all listed and unlisted bonds.

Money markets constitutes funds invested in call accounts. The average market interest rate for money market instruments was 1.7% for 2019 (2018: 3.6%). All money market instruments are of a short term nature, being exercisable within one year of year end.

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	438,851	600,813	-	-
Financials	3,912,777	4,219,301	-	-
Energy	-	111,155	-	-
Education	34,984	50,178	-	-
Property	899,420	1,172,661	-	-
Tourism	113,737	110,814	-	-
Offshore foreign equities	2,803,299	1,917,231	-	-
Government	5,023,380	4,463,934	-	-
	13,226,448	12,646,087	-	-
4.2 Equity investments				
Listed in Botswana	474,808	894,798	-	-
Listed foreign markets	1,041,909	1,634,960	-	-
Unlisted	267,485	885,559	-	-
	1,784,202	3,415,317	-	-

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

Listed financial assets:
The closing price at the year end have been used to value these investments.

Unlisted financial assets:
These investments have been valued internally using the discounted cash flow method. The fair value of unlisted financial assets have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset. The cash flows for the unlisted investments are determined with reference to contractual interest rate and the timing of the cash flow. Credit risk associated with the counterparty is included in the calculation and that cash flows are based on contractual terms.

The valuation is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market. The risk premium for the unlisted bonds and notes held by the company ranges from 150 - 694 basis points in current year (2018: 150 - 694 basis points) on the basis of the risk surrounding the operations of the company. The risk premium has been used as a risk adjustment to the Government risk free rate.

Unlisted equities
The fair value of unlisted equities is determined by reference to the underlying fair value of the net asset value held in the investee company.
For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions

Unlisted units in funds
The fair value of the assets is calculated based on units held and unit prices provided by the Fund Managers. The underlying funds in which the company invests in are unlisted and valued using discounted cash flow and price earnings methods with significant inputs that are not based on observable market data hence the classification under Level 3

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
4.3 Other loan advances				
Opening balance	393,951	496,229	-	-
Reclassification*	-	(50,000)	-	-
Interest charges	15,160	10,608	-	-
Repayments	-	(57,108)	-	-
Asset reallocation	(409,111)	-	-	-
Loan redemption from units	-	(5,778)	-	-
	-	393,951	-	-

* The loan to Babereki investments amounting to P50 million was reclassified out of the Fair Value through Profit and loss category to Amortised cost in 2018.

Other loans
The loans are advances to Public Private Partnerships which are partnerships between private companies and the government of Botswana for construction projects. The interest rate on the loans are based on the prime lending rates in Botswana and terms of the loans range from 10 years to 17 years. As at year end the prime rate was 6.25% (2018: 6.5%)

The fair value of the loans is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market and credit risk of the borrower. The average risk premium for the other loans held by the Group in not applicable for this year (2018: 50 to 100 basis points). The risk premium has been used as a risk adjustment to the Government risk free rate.

Long term Loan

Loan to Babereki Investments (Pty) Ltd	50,000	50,000	-	-

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

The loan to Babereki Investments is repayable over 10 years from 2016. The loan is secured through a cession of the loan book and guarantee and subordination agreement with BOPEU. The interest rate is a fixed interest rate of 12% per annum payable quarterly. As at 31 December 2019 interest amount of PNIL (2018:PNIL million) was receivable.

4.4 Investment property & Investments in unlisted property funds

At beginning of the year	411,476	356,122	-	-
Purchase of investments	400,396	-	-	-
Fair value gains	39,037	55,354	-	-
	850,909	411,476	-	-
Physical properties held	121,615	117,344	-	-
Investments in unlisted property companies	729,294	294,132	-	-
Investment in unlisted property companies are held at fair value through profit or loss.				
Investments properties:				
Opening balance at 1 January	117,344	112,101	-	-
Transfer to unitised funds	-	-	-	-
Net gains from fair value adjustment	4,271	5,243	-	-
Closing balance at 31 December	121,615	117,344	-	-
Rental income derived from investment properties	15,953	14,704	-	-
Direct operating expenses (including repairs and maintenance) generating rental income	7,471	6,130	-	-

The Group investment properties consist of two commercial properties and a piece of vacant land in Fairgrounds Office Park.

Investments in property funds:				
Opening balance at 1 January	294,132	244,021	-	-
Additions	431,817	-		
Gains from fair value adjustments	3,344	50,111	-	-
Closing balance at 31 December	729,293	294,132	-	-
Refer note 25 for the determination of fair values of listed and unlisted investments in property funds.				
Analysed as follows:				
Shareholder portion	121,615	1,277	-	-
Policyholder portion	729,294	410,199	-	-
Total	850,909	411,476	-	-

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

Investment properties and investments in unlisted property funds are stated at fair value which has been determined based on valuations performed by Knight Frank; MG Properties (Pty) Ltd; Wragg (Pty) Ltd and Kwena Property Services (Pty) Ltd, who are accredited independent valuers, as at 31 December 2019 and 31 December 2018 for the current and previous years respectively. These valuers are specialist in valuing these types of investment properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

In calculating the market value of commercial properties, the valuation method being a discounted cash flow approach had been adopted whereupon the current contractual annual rentals is netted off against relevant expenses (including normal repairs and maintenance, operating costs, management/collection commission fees, insurance and rates amongst others). The valuation also includes estimated future rental income for the contract period and any applicable extentions. The resulting net income is discounted at a market related discount rate to arrive at the market value. The following primary inputs have been used.

	2019	2018
Inflation rate (%)	3.0%	3.5%
Capitalisation rates	8.00%-12.50%	8.00%-12.50%
Long-term vacancy rates	0% - 20%	0% - 20%

The valuations have been undertaken on the assumption that the properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials.
Valuations and appraisals were carried out in accordance with the RICS Appraisal and Valuation Standards ("The Red Book"), by valuers who conform to its requirements, and with regard to relevant statues or regulations and with reference to market evidence of transaction prices for similar properties.

Properties are valued individually and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and accordance with the relevant definitions, commentary and assumptions contained in RICS Appraisal and Valuation Standards ("The Red Book").
The fair value of the investment in unlisted property companies is determined with reference to the fair value of the underlying property. As detailed above.

For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

Investment in property funds are valued by revaluation of the underlying property(ies) using the same inputs as the above.

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
4.5 Interest in associates/joint ventures and subsidiaries (subsidiaries at company level)				
Carrying amounts at beginning of the year	1,577,409	1,714,610	368,357	538,097
Share of results after tax	229,001	166,904	-	-
Impairment (expense)/reversal of associates/subsidiary *	(86,768)	(114,033)	10,387	(160,370)
Dividend received	(73,247)	(151,533)	-	-
Purchase/(disposal) of associates, joint ventures and subsidiaries	31,568	3,056	(21,142)	(9,370)
Change in reserves in associates	1,282	(4,259)	-	-
Foreign currency translation differences	(14,760)	1,388	-	-
IFRS 9 initial recognition	-	(38,724)	-	-
IFRS 16 transition adjustment	138	-	-	-
Carrying amount at the end of the year	1,664,623	1,577,409	357,602	368,357

*The total amount of impairment expense/reversla are recorded under the associates and joint ventures segment (note 1.1

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

The Group, through its 100% owned subsidiary BIFM Holdings, has a 50% interest in Khumo Property Asset Management, a jointly controlled entity involved in property management. The Group's interest in Khumo Property Asset Management is accounted for using the equity method in the consolidated financial statements. The year end for the jointly controlled entity is 31 October. The table above illustrates the summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements.

The Group, through its 100% owned subsidiary BIFM Holdings, has invested in various associates being Plot 21 and Bongwe and African Life Financial Services (Zambia) Ltd and Aflife Holdings Zambia Limited. The table above shows the Group's percentage shareholding and total summarised financial interest.

The Group, through its 62.9% owned subsidiary KYS, has a 20% interest in The Minor Hotel Group Gaborone (Pty) limited.
The Group, through its 100% owned subsidiary Bifm Holdings Limited, has a 49% interest in African Life Financial Services (Zambia) Ltd. African Life Financial Services (Zambia) Ltd is based in Zambia. The entity is involved in provision of asset management and employee benefits administration. The Group's interest in African Life Financial Services (Zambia) Ltd is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities.

The Group, through its 100% owned subsidiary Botswana Life Insurance Limited ("BLIL") has a 28.10% (2018: 26.17%) interest in Letshego Holdings Limited (LHL), which is involved in the provision of short - to - medium-term secured and unsecured loans in the public, quasi-public and private sectors. The company is incorporated in Botswana and has subsidiaries in various countries in Africa . LHL is a public company listed on the Botswana Stock Exchange (BSE) . The Group's interest in LHL is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table above illustrates the summarised financial information of the Group's investment in LHL:

The Group also has a 25.1% interest in Nico Holdings Limited (NICO). The latter group operates in five countries including Malawi, Tanzania, Uganda, Zambia and Mozambique and approximately 70% of NICO operations remain in Malawi. NICO operates its business through six segments which are, general insurance business, life insurance & pensions business, banking business, asset management, information technology and investment holding. It is also involved in the hospitality industry and real estate industry as portfolio investments through some of its subsidiaries and associate companies. The company is incorporated in Malawi and it is a public company listed on the Malawi Stock Exchange. The Group's interest in NICO is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities.

The Group through its 100% owned subsidiary BLIL owns 37.0% (2018: 36.38%) of Funeral Services Group Limited (FSG). FSG is involved in the manufacturing and distribution of coffins and caskets, providing funeral services and establishing and managing private cemeteries. The company is incorporated in Botswana and has a subsidiary in Zambia. Until 3 December 2015 FSG was a public company listed on the Botswana Stock Exchange (BSE). The Group's interest in FSG is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table above illustrates the summarised financial information of the Group's investment in FSG.

The fair value of the listed associates was P1,291 million (Letshego Holdings Limited (P1,132 million) and Nico Holdings Limited (P159 million)) and 2018 was P1,222 million (Letshego Holdings Limited (P1,090 million) and Nico Holdings Limited (P132 million)). The fair value was determined by multiplying the last traded share price on the Botswana Stock Exchange or Malawi Stock Exchange by the number of shares held by the Group.

The consideration of impairment for the two most significant associates of the Group, Nico Holdings Limited and Letshego Holdings Limited, required additional focus in the current year due to the difficult economic environment in which these associates operate. Nico operates in Malawi which is exposed to severe currency fluctuations whilst Letshego operates in the micro-financing industry through its subsidiaries across Africa which experienced difficulties in the current market environment. These uncertain circumstances create difficulties in determining the appropriateness of the assumptions such as growth rates and risk discount rates used in the discounted cash flow (DCF) model which is used to assess the potential impairment of these associates. Consequently impairment reversal of P19 million (2018: impairment loss of PNIL million) and foreign currency translation losses of P2.1 million (2018: P9.7 million) have been recognised for NICO. For Letshego, impairment losses of P106 million (2018: P114 million) and foreign currency translation losses of P4.6 million (2018: P4.13 million) were recorded.

The Group has joint control in a company called Teledimo (Pty) Ltd, which holds a 100% investment in a short term insurance company, Botswana Insurance Company Ltd (BIC). Teledimo is a non-operating holding company and only has one investment i.e. the investment in BIC. The company is incorporated in Botswana and is a private company. The Group's interest in BIC is accounted for as a joint venture using the equity method in the consolidated financial statements.

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

4.5 Interest in associates and joint ventures (continued)

GROUP	Joint ventures		Associates										
	Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	Funeral Services Group	Plot 21 Investments	LG	Bongwe	African Life Financial Services (Zambia) Limited	Aflife Holdings Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Total
2019												
Carrying amount (P'000)	11,424	128,906	41,485	84,519	3,936	1,257	6,419	95,153	491	159,193	1,131,841	1,664,623
Interest in issued share capital						-						
Shareholders' fund	50.00%	50.00%	20.00%	37.00%	33.00%	50.00%	33.00%	49.00%	49.00%	25.10%	28.11%	
additional investment	-	-	-	-	-	-	-	-	-	-	-	-
Share of earnings after tax for current year (P'000)	2,712	13,921	1,699	16,538	(16)	1,257	631	9,329	(666)	19,185	164,411	229,001
Impairment	-	-	-	-	-	-	-	-	-	19,445	(106,213)	(86,768)
Foreign Currency Transalation differences	-	-	-	(2,991)	-	-	-	(5,242)	277	(2,161)	(4,643)	(14,760)
Change in reserves in associates and other comprehensive income	-	-	2,437	1,139	-	-	-	-	-	(4,041)	1,747	1,282
(Disposal)/Additional investment in associates, joint ventures and subsidiaries	-	-	-	2,436	-	-	-	-	-	-	29,132	31,568
IFRS 16 transition adjustment	-	-	-	-	-	-	-	-	-	-	138	138
Distributions received P'000	(2,775)	(8,000)	-	(13,203)	(427)	-	-	-	-	(6,203)	(42,639)	(73,247)
Total assets and liabilities of the joint venture and associates (P'000)												
Non-current assets	831	238,233	125,370	218,982	-	6,094	140,379	46,169	46,812	4,132,988	273,542	5,229,400
Current financial assets , excluding cash and cash equivalents	10,515	106,633	13,520	44,471	-	814	15,480	49,177	1,586	923,351	9,557,868	10,723,415
Cash and cash equivalents	3,572	63,617	44,172	40,894	-	49,597	-	8,230	676	201,878	997,408	1,410,045
Non current financial liabilities excluding trade and other payables	-	(7,989)	(9,084)	(17,299)	-	-	(140,126)	(2,262)	(14,893)	2,836,586	(4,985,650)	(2,340,716)
Current financial liabilities excluding trade and other payables and provisions	-	(84,166)	(1,277)	(7,825)	-	(2,951)	(5,518)	(33,147)	(14,893)	(1,446,500)	(667,003)	(2,263,281)
Current liabilities including trade and other provisions	(9,448)	(11,407)	(22,740)	(31,893)	-	(22,612)	-	(21,240)	(5,077)	(374,064)	(596,318)	(1,094,798)
Shareholders equity	5,470	304,921	149,961	247,330	-	30,941	10,215	46,928	14,212	6,274,239	4,579,847	11,664,065
Carrying amount (P'000)	11,424	128,906	41,485	84,519	3,936	-	6,419	95,153	491	159,193	1,131,841	1,663,367
Calculated carrying value	2,735	152,461	29,992	91,512	-	-	3,371	22,995	6,964	1,574,834	1,287,395	3,172,259
Effects of fair value adjustments and Goodwill at initial recognition	8,689	(23,555)	11,493	(6,993)	3,936	-	3,048	72,158	(6,473)	(1,415,641)	(155,554)	(1,508,892)
Summarised statement of profit or loss of the joint ventures and associates (P'000)												
Revenue	19,547	182,020	162,305	182,940	-	41,153	12,243	67,557	16,494	1,625,473	2,232,582	4,540,051
Interest income	-	4,281	2,853	2,241	-	1,741	16,148	6,671	381	416,258	-	447,963
Cost of sales	-	-	(10,828)	(30,512)	-	(2,679)	(12,298)	-	-	(13,727)	-	(70,045)
Administration expenses, excluding depreciation and amortisation	(11,836)	(153,718)	(124,927)	(78,303)	-	(35,510)	(1,991)	(27,999)	(25,741)	(916,974)	(1,102,541)	(2,479,539)
Depreciation and amortisation	(832)	-	(8,200)	(10,893)	-	-	-	-	-	-	-	(19,925)
Finance costs, including interest expense	-	-	-	(919)	-	-	(13,068)	-	-	(9,002)	-	(22,989)
Profit /Loss before tax	6,879	32,584	21,203	64,553	-	4,705	1,034	46,228	(8,866)	1,102,028	1,130,041	2,395,516
Share of loss of Joint Venture	-	-	-	(3,422)	-	-	-	-	-	-	-	(3,422)
Income tax expense	(1,500)	(4,741)	(4,401)	(15,215)	-	-	(407)	(11,662)	-	(580,493)	(438,544)	(1,056,963)
Profit/Loss for the year (continuing operations)	5,379	27,843	16,802	45,916	-	4,705	627	34,566	(8,866)	521,536	691,497	1,335,131
Group's share of profit/loss for the year	2,712	13,921	1,699	16,538	(16)	1,257	631	9,329	(666)	19,185	58,198	122,788

The Statement of Financial Position and the Statement of Comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

4.5 Interest in associates and joint ventures (continued)

GROUP	Joint ventures		Associates									
	Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	Funeral Services Group	Plot 21 Investments	LG	Bongwe	African Life Financial Services (Zambia) Limited	Aflife Holdings Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Shareholder equity
2018												
Carrying amount (P'000)	11,487	122,985	37,349	80,600	4,378	-	5,788	91,066	880	132,968	1,089,908	1,577,409
Interest in issued share capital						-						
Shareholders' fund	50.00%	50.00%	20.00%	36.38%	33.00%	-	33.00%	49.00%	49.00%	25.10%	26.17%	
additional investment	-	-	-	-	-	-	-	-	-	-	-	-
Share of earnings after tax for current year (P'000)	2,594	9,432	1,888	12,148	(92)	-	186	9,581	(2,163)	18,553	114,777	166,904
Impairment	-	-	-	-	-	-	-	-	-	-	(114,033)	(114,033)
Foreign Currency Transalation differences	-	-	-	-	-	-	-	(5,167)	972	9,719	(4,136)	1,388
Change in reserves in associates	-	-	-	-	-	-	-	-	-	-	(4,259)	(4,259)
(Disposal)/Additional investment in associates, joint ventures and subsidiaries	-	-	-	2,100	478	-	478	-	-	-	-	3,056
IFRS 9 provision day 1 impact	-	-	-	-	-	-	-	-	-	(1,872)	(36,852)	(38,724)
Distributions received P'000	(2,313)	(8,000)	-	(11,963)	(1,110)	-	-	-	-	(5,841)	(122,306)	(151,533)
Total assets and liabilities of the joint venture and associates (P'000)												
Non-current assets	998	210,533	125,370	221,695	26	-	169,301	34,409	49,600	6,067,646	443,900	7,323,478
Current financial assets , excluding cash and cash equivalents	12,343	102,885	13,520	38,773	2	-	2,486	89,103	12,465	1,609,352	9,004,570	10,885,499
Cash and cash equivalents	2,225	48,662	44,172	41,166	4,502	-	13,046	10,330	324	410,007	1,165,537	1,739,971
Non current financial liabilities excluding trade and other payables	-	(9,683)	(9,084)	(12,711)	-	-	(172,084)	(31,885)	(12,358)	(4,312,213)	(3,989,896)	(8,549,914)
Current financial liabilities excluding trade and other payables and provisions	-	(78,913)	(1,277)	(10,827)	-	-	(2,992)	(4,645)	-	(2,368,468)	(438,630)	(2,905,752)
Current liabilities	(8,759)	(10,151)	(22,740)	(37,212)	(249)	-	(2,167)	(34,929)	(5,283)	(527,550)	(261,751)	(910,791)
Shareholders equity	6,807	263,333	149,961	240,884	4,281	-	7,590	62,383	44,748	878,774	5,923,730	7,582,491
Carrying amount (P'000)	11,487	122,985	37,349	80,600	4,378	-	5,788	91,066	880	132,968	1,089,908	1,577,409
Calculated carrying value	3,404	131,667	29,992	87,634	1,413	-	2,505	30,568	21,927	220,572	1,550,240	2,079,922
Effects of fair value adjustments and Goodwill at initial recognition	8,083	(8,682)	7,357	(7,034)	2,965	-	3,283	60,498	(21,047)	(87,604)	(460,332)	(502,513)
Summarised statement of profit or loss of the joint ventures and associates (P'000)												
Revenue	17,945	156,430	162,305	173,305	-	-	12,243	73,475	12,385	1,895,470	2,354,495	4,855,792
Interest income	-	6,829	2,853	3,392	1	-	16,148	3,628	2,901	598,462	-	631,604
Cost of sales	-	-	(10,828)	(29,827)	-	-	(12,298)	-	-	-	-	(52,953)
Administration expenses, excluding depreciation and amortisation	(10,486)	(139,791)	(124,927)	(91,470)	(278)	-	(1,991)	(46,475)	(12,850)	(893,610)	(1,333,987)	(2,655,864)
Depreciation and amortisation	(944)	-	(8,200)	-	-	-	-	-	-	-	-	(9,144)
Finance costs, including interest expense	-	-	-	(742)	-	-	(13,068)	-	-	(6,891)	-	(20,701)
Profit /Loss before tax	6,515	23,469	21,203	54,658	(277)	-	1,034	30,628	2,437	1,593,431	1,020,508	2,748,733
Share of loss of Joint Venture	-	-	-	(3,422)	-	-	-	-	-	-	-	(3,422)
Income tax expense	(1,500)	(5,392)	(4,401)	(15,215)	-	-	(407)	(11,662)	-	(580,493)	(510,027)	(1,129,097)
Profit/Loss for the year (continuing operations)	5,016	18,077	16,802	36,021	(277)	-	627	18,966	2,437	1,012,938	510,481	1,616,214
Group's share of profit/loss for the year	2,594	9,432	1,888	12,148	(92)	-	186	9,581	(2,163)	18,553	744	52,871

The Statement of Financial Position and the Statement of Comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

4.6 Non-Current Assets Held For Sale
a) BIHL Insurance Company Limited
On 16 May 2017, the Board of Directors of Botswana Insurance Holdings (Pty) Limited approved the disposal of 100% of its stake in BIHL Insurance Company Limited t/a Legal Guard to Botswana Insurance Company Limited an associate of the Group. BIHL holds 100% of Legal Guard through a direct shareholding.The transaction was effected on 30 September 2019 following approval by relevant regulatory bodies. Legal Guard was classified as part of the general insurance segment by the Group. As at 31 December all balances relating to the transaction have been transferred to BIC as illustrated below;

	September 2019 P'000	December 2018 P'000
Revenue		
Insurance premium revenue	30,886	41,704
Interest income	1,295	1,659
Other income	36	46
Total income	32,217	43,409
Gross insurance claims	(9,443)	(13,981)
Expenses for the acquisition of insurance contracts	(1,866)	(2,249)
Expenses for marketing and administration	(18,456)	(22,738)
Interest expense	(261)	(713)
Profit before tax	2,191	3,728
Taxation	-	340
Profit for the year	2,191	4,068
Other comprehensive income (net of tax)	-	-
Total comprehensive income for the year	2,191	4,068

The major classes of assets and liabilities of BIHL Insurance Company classified as held of sale as at 30 September 2019 (2018: 31 December) were as follows;

ASSETS		
Property and equipment	598	341
Intangible assets	3,192	3,438
Right-of-Use Asset	2,755	-
Insurance and other receivables	496	504
Short-term money market instruments	39,815	38,659
Working capital assets	10,427	4,746
Current income tax receivable	388	260
Cash and bank balances	10,039	4,486
Total assets held for sale	57,283	47,688
Liabilities		
Lease liability	2,822	-
Insurance contracts liabilities	25,535	17,339
Insurance and other payables	6,299	4,456
Liabilities classified as held for sale	34,657	21,795
The net cash flow incurred by BIHL Insurance Companay are as follows;		
Cash flow from operating activities	6,970	1,357
Cash generated from operations	6,970	2,200

Notes to the Financial Statements
(Continued)

4. INVESTMENTS (CONTINUED)

	September 2019 P'000	December 2018 P'000
Interest received	-	27
Interest paid	-	(713)
Tax received /(paid)	-	(157)
Cash flow utilised in investment activities	(1,417)	(397)
Money market investment	(868)	-
Purchase of property and equipment	(484)	(156)
Purchase of intangible assets	(65)	(241)
Cashflow from financing activities		
Shareholder's loan	-	(9,000)
Decrease in cash and cash equivalents	5,553	(8,040)
Balance at the beginning of the year	4,486	12,526
Balance at the end of period	10,039	4,486

The carrying amounts of the identifiable assets and liabilities of the short-term insurance business as at the date of disposal were :

	Group	Company
Carrying amount of assets	57,284	21,142
Carrying amount of liabilities	(34,657)	-
Net Assets	22,627	21,142
Share of net assets	22,627	21,142
Fair value of consideration received	32,143	32,143
Disposal expenses	244	244
Subordinated shareholder loan	5,800	
Profit on disposal	3,472	10,757
Carrying amount of assets and liabilities disposed were as follows		
Property, plant and equipment	598	-
Intangible assets	3,192	-
Right of Use Asset- IFRS 16	2,755	-
Other amounts receivable	496	-
Taxation	388	-
Cash and cash equivalents	49,854	-
Subordinated shareholders' loan	(5,800)	-
Insurance contracts	(18,852)	-
Lease Liability IFRS 16	(2,822)	-
Insurance payables	(162)	-
Inter-company payable	(499)	-
Other amounts payable	(6,521)	-
Group's share of net assets	22,627	-
Consideration	32,143	-
Effect on cashflow		
Consideration on disposal of subsidiary	32,143	-
Contigent consideration not yet received	(7,143)	-
Cash consideration on disposal of subsidiary	25,000	-
Cash disposed off in subsidiary	-	-
Net impact	25,000	-

Notes to the Financial Statements
(Continued)

5. INSURANCE AND OTHER RECEIVABLES

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Insurance receivables				
Due from policyholders, agents and brokers	119,740	149,883	-	-
Due from reinsurers	27,910	5,565	-	-
Impairment Allowances	(3,604)	(3,756)	-	-
	147,650	155,448	-	-
Other receivables	122,233	168,013	23,001	656
Impairment Allowances	(22,850)	(18,876)	-	-
	99,383	149,137	23,001	656
Insurance and other receivables	247,033	304,585	23,001	656
Insurance receivables are non-interest bearing and are generally on 30 days terms.				
Other receivable relates to fees receivable, commission advances and broker loans.				
The aging analysis of these receivables is as analysed below:				
Impaired	3,604	3,756	-	-
Neither past due nor impaired	130,897	207,329	23,001	656
Past due but not impaired:	116,136	97,256	-	-
Less than 30 days	23,186	22,518	-	-
30 - 60 days	35,298	31,242	-	-
61 - 90 days	57,652	43,496	-	-
	247,033	304,585	23,001	656
The carrying values of insurance and other receivables are reasonable approximations of their fair values due to the short term nature thereof.				
Impairment movement				
As at 31 December 2019 outstanding premiums with a nominal value of P3.6 million (2018: P3.6 million) were impaired and additionally provided for. Movemement in in the impairment provision was as follows:				
At 1 January	3,756	1,167	-	-
Provision reversed	(152)	(34)	-	-
Provision raised	-	2,623	-	-
At 31 December	3,604	3,756	-	-

Other amounts receivable include Trade and Other receivables, Agents and Brokers advance. Other Amounts receivable are stated after an impairment provision of P22.8 million as at 31 December 2019 (2018: P18.9 million).

At 1 January	18,876	16,769	-	-
Provision raised	3,974	2,107	-	-
At 31 December	22,850	18,876	-	-

Notes to the Financial Statements
(Continued)

6. STATED CAPITAL

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Authorised shares (number)	282,370,652	282,370,652	282,370,652	282,370,652
Ordinary shares issued and fully paid ordinary shares at no par value	154,936	154,936	154,936	154,936

7. NON-DISTRIBUTABLE RESERVES

Foreign currency translation reserve				
Opening balance	(160,842)	(163,380)	-	-
Movement for the year	(6,486)	2,538	-	-
Balance at end of year	(167,328)	(160,842)	-	-
Consolidation reserve				
Opening balance	(116,232)	(118,108)	-	-
Transfer to retained earnings	74,999	3,837	-	-
Cost of shares disposed/(purchased)	537	(1,961)	-	-
Balance at end of year	(40,696)	(116,232)	-	-

This reserve (is an annual net profit at the business subsidiary level) is not available for dividend distribution. A consolidation reserve is required for consolidated profits that are not available for distribution. The reserve represents temporary mismatch in that the reserve will reverse when the affected investments are realised through sale to parties external to the group.

BIHL shares held by policyholders				
Number of shares held at 31 December:	1,408	6,561	-	-
	1,408	6,561	-	-
Market price per share (Pula)	17.50	17.50	-	-
Non-distributable reserves				
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	0	45	-	-
Opening balance	(65,752)	(65,739)	-	-
Cost of treasury shares/(purchased)/disposed	(667)	(13)	-	-
Balance at end of year	(66,419)	(65,752)	-	-
Share based payment reserve				
Opening balance	91,822	83,180	21,981	18,846
Expense arising from equity-settled share-based payment transactions	4,649	8,642	4,649	3,135
Change in reserves in associates	-	-	-	-
Balance at end of year	96,471	91,822	26,630	21,981
Capital Reserve Account				
Opening balance	572,627	660,508	9,762	9,762
Transfer to retained earnings	(171,469)	(87,881)	-	-
Balance at end of year	401,158	572,627	9,762	9,762

Notes to the Financial Statements
(Continued)

7. NON-DISTRIBUTABLE RESERVES (CONTINUED)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000

Insurance Industry Regulation of 2019 states that a long term insurer and reinsurer shall maintain a minimum capital which shall be higher of P10 million or an amount representing 25% of operating expenses as defined and reported in the annual return, estimated for the following year. For the year ended 2019, 25% of the operating expenses of Botswana Life Insurance amounts to P 166 million. At year end, The Group therefore held statutory capital reserves of at least twice the required capital levels based on IPR3L – Prescribed Capital Target (PCT).

The life company transfers excess capital to retained earnings as and when applicable.

In the last quarter of 2018, BIFM relinquished its insurance licence with the regulator to align the business with its asset management licence which was running concurrently, this led to a release of insurance statutory reserves to retained earnings

Solvency Reserve Account				
Opening balance	1,826	1,453	-	-
Transfer from profit for the year	(1,826)	373	-	-
	-	1,826	-	-

The general insurance company maintains a statutory solvency reserve as required by Section 11 of the Insurance Industry Act. In accordance with the Act, the company transfers every year, before any dividend is declared , a sum equivalent to 10% of gross profits or, where the transfer of 10% of its gross profits would result in the total sum in the reserve exceeding 25% of gross premiums received in the previous financial year, so much as is necessary to raise the total sum in the reserves to a sum equivalent to 25% of the gross premiums received in the previous financial year. The statutory solvency reserve can neither be reduced nor encumbered provided that the Registrar of Insurance may by notice in writing to the company specify circumstances in which it may be reduced or encumbered. The entity is not required to make the transfer in the event of losses.

Total non-distributable reserves	223,186	323,449	36,392	31,743

Change in ownership without loss of control

BIFM ""the Company"" implemented a Citizen Economic Empowerment Share Scheme ("the Scheme") in 2018, whereby the Company issued 25.1% of its ordinary share capital to citizen employees of the Company. As a result of the issue of the shares to employees, BIHL Group lost part of its effective interest in BIFM Holdings from 100% to 89%. The impact of this dillusion is disclosed in the Statement of changes in Equity.The transaction has been accounted for as an equity transaction with non-controlling interests (NCI), resulting in the following:

Proceeds from Issue of Shares	-	64,677	-	-
Net assets on Disposal	-	16,231	-	-
	-	48,446	-	-
Attributable to NCI at 11%	-	5,329	-	-
Represented by				
Decrease in retained earnings	-	(5,329)	-	-
Increase in Non Controlling Interests	-	5,329	-	-
Decrease in Equity	-	(5,329)	-	-
	-	5,329	-	-

Notes to the Financial Statements
(Continued)

8. POLICYHOLDER LIABILITIES

		Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
8.1 Analysis of movement in policy liabilities					
Life insurance contracts					
Income		3,216,330	2,856,533	-	-
Premium income		2,597,852	2,349,016	-	-
Investment return		618,478	507,517	-	-
Outflow		(2,631,573)	(2,385,728)	-	-
Policy benefits		(1,614,749)	(2,018,709)	-	-
Fees, risk premiums and other payments to shareholders' fund		(1,016,824)	(367,019)	-	-
Net movement for the year		584,757	470,805	-	-
Balance at beginning of the year		9,859,345	9,388,540	-	-
Balance at end of the year	8.3	10,444,102	9,859,345		
Investment contracts					
Balance at the beginning of the year		-	2,829,801	-	-
Pension and investment contributions		-	(124,683)	-	-
Net investment return		-	191,599	-	-
Benefits paid and withdrawals		-	(234,874)	-	-
		-	2,661,843	-	-
Total policyholder liabilities		10,444,102	12,521,188	-	-
8.1a External investors in consolidated funds					
Balance at the beginning of the year		2,661,843	2,829,801	-	-
Pension and investment contributions		-	(124,683)	-	-
Net investment return		421,258	191,599	-	-
Benefits paid and withdrawals		(415,338)	(234,874)	-	-
Balance at end of the year	8.3	2,667,763	2,661,843	-	-
Segregated funds accounted for off the Statement of Financial Position		25,012,584	23,987,680	-	-

Segregated funds are excluded from investments and liabilities under investment management contracts on the statement of financial position. The assets are kept on behalf of the investors and are not assets of the Group. The assets are managed by the asset management company (BIFM). On the 11th of October 2019, BIFM transferred the Pooled funds to newly formed and registered CIU Trusts, effectively moving all thrid party investments off the Bifm balance sheet and retaining the investments and units directly owned by Bifm. The CIU funds are now consolidated in the Group's financials where the Group has invested more than 20% in note 4.1.

Notes to the Financial Statements
(Continued)

8. POLICYHOLDER LIABILITIES (CONTINUED)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
8.2 Composition of policy liabilities under investment contracts				
Individual business				
Linked and market-related liabilities	2,667,763	2,661,843	-	-
Composition of policy liabilities under insurance contracts				
Individual business	10,069,253	9,546,543	-	-
Linked and market linked liabilities	2,192,070	1,984,857	-	-
Bonus stabilisation reserve	25,339	30,480	-	-
Individual stable bonus and market related business	25,641	30,187	-	-
Non-participating annuities	7,764,720	7,437,845	-	-
Annuities - participating	61,483	63,174	-	-
Employee benefits business	374,850	312,802	-	
Non participating risk business	374,850	312,802	-	-
Total policy liabilities	13,111,865	12,521,188	-	-

8.3 Maturity analysis of policyholder liabilities

2019	Ondemand P'000	<1year P'000	1-5years P'000	>5years P'000	openended P'000	Total P'000
Maturity analysis of policyholder liabilities under investment contracts						
Linked and market-related liabilities	2,667,763	-	-	-	-	2,667,763
Maturity analysis of policyholder liabilities under insurance contracts						
Linked and market-related liabilities	-	73,859	409,876	1,708,335	-	2,192,070
Stable bonus fund	-	5,293	13,382	6,664	-	25,339
Guaranteed business	-	13,648	8,453	3,541	-	25,641
Non-participating annuities	-	1,262	19,942	7,743,516	-	7,764,720
Annuities - participating	-	-	-	-	61,483	61,483
Non participating risk business	-	25,962	132,041	216,846	-	374,849
Total	2,667,763	120,024	583,693	9,678,901	61,483	13,111,865

2018						
Maturity analysis of policy holder liabilities under investment contracts						
Linked and market-related liabilities	2,661,843	-	-	-	-	2,661,843
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	69,258	369,102	1,543,312	-	1,981,672
Smoothed bonus business	-	6,081	17,504	6,895	-	30,480
Guaranteed business	-	28,426	1,405	356	-	30,187
Annuities - guaranteed	-	1,376	19,522	7,411,154	-	7,432,052
Annuities - participating	-	-	-	-	63,173	63,173
Non participating risk business	-	35,526	146,051	140,204	-	321,781
Total	2,661,843	140,667	553,584	9,101,921	63,173	12,521,188

Notes to the Financial Statements
(Continued)

8. POLICYHOLDER LIABILITIES (CONTINUED)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
8.4 Policy liabilities include the following:				
HIV/Aids reserve	5,725	1,514	-	-
Asset mismatch reserve	47,116	45,247	-	-

Asset mismatch reserve refers to reserve held to cushion against losses that may occur due to movement in interest rates as the value of liabilities does not move in line with the value of assets backing those liabilities.

Refer to note 5 on 'Significant accounting judgements, estimates and assumptions' for the assumptions used in determining liability valuations.

8.5 Reinsurance Assets	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Balance at the beginning of the year	6,350	2,417	-	-
Movement in reinsurer's share of insurance contract liabilities	1,368	3,933	-	-
Balance at end of the year	7,718	6,350	-	-
8.6 Movement in life insurance contract liability				
Change in policyholder liabilities under insurance contracts	584,757	470,805	-	-
Change in contract liabilities ceded to reinsurers	1,368	(3,933)	-	-
Movement in the income statement	586,125	466,872	-	-
8.7 Derivatives instrument				
Foreign Exchange Swap transaction	5,810	-	-	-

This transaction was entered into between BIHL Group and African Life Assurance Company Botswana (Pty) Ltd (ALBOTS) - a wholly owned subsidiary of Sanlam, whose sole asset and source of revenue is a 17% shareholding in BIHL. Albots, who receives periodic dividends and converts the same to ZAR, wished to swap these cashflows to mitigate against currency movements. The Group (through the BLIL annuity portfolio), wished to gain exposure to long dated bonds, however given the shortage of such in Botswana, resolved to gain similar exposure synthetically.

The parties then entered into a swap which saw BIHL Group purchasing a long dated South African Government bond and swapping the ZAR coupons received from the note for BWP. Albots, swapped its BWP dividends for ZAR and thus each party obtained exposure to their desired currency. This resulted in a synthetic BPW bond exposure for BIHL Group, which is valued in the same way all the other bonds in the annuity book are valued- via the Botswana zero curve. The ZAR bond's value is taken to be the bond's market value at every valuation date.

The positions are valued monthly and the differences between the two is the Swap Contract's value at valuation date. No cashflow exchanged hands during the life of the contract (i.e swap value becomes unrealised gains or losses in the book).

Notes to the Financial Statements
(Continued)

9. NON-CONTROLLING INTERESTS

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Balance at beginning of the year	22,008	16,823	-	-
Share of profit	3,553	(144)	-	-
Dividend payment	(2,177)	-	-	-
Currency translation difference	213	-	-	-
Purchase of shares	-	5,329	-	-
Balance at end of the year	23,597	22,008	-	-

9.1 Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operations	2019 %	2018 %
KYS Investments Limited	Botswana	37.10	37.10
BIFM CEE	Botswana	11.00	11.00
Private Property Botswana (Pty) Ltd	Botswana	26.00	26.00

In 2018, BIFM dispossed off 11% of its shares to the Citizen Economic Empowerment Scheme. This resulted in Non Controlling Interest of 11%. Refer to Note 7.

Accumulated balances of material non-controlling interest:

	P'000	P'000
KYS Investments Limited	16,257	15,911
BIFM CEE	7,341	5,884
Private Property Botswana (Pty) Ltd	-	213
	23,598	22,008
Profit/(loss) allocated to material non-controlling interest:		
Kgolo Ya Sechaba (KYS)	638	(710)
BIFM	2,915	556
Private Property Botswana (PPB)	-	10
	3,553	(144)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Notes to the Financial Statements
(Continued)

9. NON-CONTROLLING INTERESTS (CONTINUED)

	BIFM P'000	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised profit or loss for 2019			
Revenue	538,467	1,734	-
Administrative expenses	(499,876)	(15)	-
Profit before tax	38,591	1,719	-
Income tax	(6,929)	-	-
Profit for the year from continuing operations	31,662	1,719	-
Total comprehensive income	31,662	1,719	-
Attributable to non controlling interests	2,915	638	-
Dividends paid to non controlling interests	(2,176)	-	-
Summarised profit or loss for 2018			
Revenue	439,953	1,935	-
Administrative expenses	(379,232)	(20)	(40)
Profit before tax	60,721	1,915	(40)
Income tax	(9,686)	-	-
Profit for the year from continuing operations	51,035	1,915	(40)
Total comprehensive income	51,035	1,915	(40)
Attributable to non controlling interests	(556)	710	(10)
Summarised statement of financial position as at 31 December 2019			
Trade receivables and cash and bank balances (current)	287,012	2,485	-
Property and equipment and other non-current financial assets (non- current)	41,283	38,034	-
Trade and other payable (current)	(38,104)	(165)	(2,975)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(21,530)	-	-
Total equity	268,661	40,354	(2,975)
Attributable to:			
Equity holders of parent	261,320	24,097	(2,975)
Non-controlling interests	7,341	16,257	-
Summarised statement of financial position as at 31 December 2018			
Trade receivables and cash and bank balances (current)	101,371	2,463	2,544
Property, plant and equipment and other non-current financial assets (non- current)	5,854,170	41,650	-
Trade and other payable (current)	(81,934)	(305)	(2,975)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(5,584,737)	-	-
Total equity	288,870	43,808	(431)
Attributable to:			
Equity holders of parent	282,986	27,897	(644)
Non-controlling interests	5,884	15,911	213
Summarised cash flow information for year ending 31 December 2019:			
Operating	44	47	(17,048)
Investing	(607)	-	-
Financing	-	2,991	-
Net increase/(decrease) in cash and cash equivalents	(563)	3,038	(17,048)
Summarised cash flow information for year ending 31 December 2018:			
Operating	(142,045)	187	(17,048)
Investing	78,942	-	-
Financing	64,677	(624)	-
Net increase/(decrease) in cash and cash equivalents	1,574	(437)	(17,048)

Notes to the Financial Statements
(Continued)

10. DEFERRED TAX

Deferred tax included in the Statement of Financial Position and changes recorded in the income tax expense are as follows:

Group

	Deferred tax asset 2019 P'000	Deferred tax liability 2019 P'000	Profit or loss 2019 P'000	Deferred tax asset 2018 P'000	Deferred tax liability 2018 P'000	Profit or loss 2018 P'000
Balance at the beginning of the year	-	(13,695)	-	-	(9,702)	-
Charge to the income statement	-	(8,466)	(8,466)	-	(3,993)	(3,993)
Balance at end of the year	-	(22,161)	(8,466)	-	(13,695)	(3,993)
Representing:						
Accelerated depreciation for tax purposes	-	9,486	1,466	-	8,020	(5,719)
Unrealised gains on shareholders' investments	-	14,580	8,748	-	5,832	1,726
SPA (Sanlam Pan Africa) recharges deferred tax	-	(321)	(164)	-	(157)	-
Right-of-use asset IFRS 16	-	(1,583)	(1,583)	-	-	-

No deferred tax asset was recognised in the holding company due to the assessable tax losses amounting to P5.4 million (2018: P8.8 million). There is uncertainty when taxable profits will be available against which deferred tax asset can be utilised.

Company

	Deferred tax asset 2019 P'000	Deferred tax liability 2019 P'000	Profit or loss 2019 P'000	Deferred tax asset 2018 P'000	Deferred tax liability 2018 P'000	Profit or loss 2018 P'000
Balance at the beginning of the year	-	-	-	-	(892)	-
Charge to the income statement	-	-	-	-	892	(892)
Balance at end of the year	-	-	-	-	-	(892)

There were no temporary differences associated with investment in subsidiaries, associates and interest in joint ventures for which deferred tax liabilities have not been recognised.

Withholding taxes are paid to the government and they are a portion of the total dividend that is declared. Where the Company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

11. INSURANCE AND OTHER PAYABLES

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Insurance payables				
Due to agents and brokers	302,361	44,124	-	-
Due to reinsurers	-	17,266	-	-
Life Insurance claims payable	213,081	209,548	-	-
Premiums received in advance	7,546	91,597	-	-
Other payables				
Other accounts payable	(169,235)	31,278	22,956	23,295
	353,753	393,813	22,956	23,295

Terms and conditions of the above financial liabilities are:
Trade payables are non-interest bearing insurance related liability and their terms and conditions are as follows.
- Insurance claims are settled within 30 days
- Reassurance payable are settled within 90 days
- Due to agents and brokers - these are Intermediary retention balances held on behalf of brokers and agents and are released on the anniversary of the policy.
- Short term Insurance payables are settled within 30 days

Other payables relates to payroll accruals - leave pay, bonuses and gratuity

Notes to the Financial Statements
(Continued)

12. PREMIUM REVENUE

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Life Insurance				
Individual life	1,920,274	1,860,576	-	-
Gross premium	1,956,103	1,897,022	-	-
- Recurring premium	1,297,071	1,216,376	-	-
- Single	659,032	680,646	-	-
Premium ceded to reinsurers	(35,829)	(36,446)	-	-
Group and employee benefits	677,578	488,441	-	-
Gross premium	694,910	500,347	-	-
- Recurring premium	213,538	136,912	-	-
- Single	481,372	363,435	-	-
Premium ceded to reinsurers	(17,332)	(11,906)	-	-
Total	2,597,852	2,349,017	-	-
12.1 Revenue from Contracts with Customers				
Contract revenue earned over time				
Fee income	97,733	106,340	-	-
Contract revenue earned at a point in time				
Perfomance fees	681	681.00	-	-
	98,414	107,021	-	-

13. INVESTMENT INCOME

Shareholders' interest income				
Interest income using EIR	11,165	11,065	2,417	2,539
	11,165	11,065	2,417	2,539
Policyholders' interest income				
(i) Policyholder insurance contracts				
Interest income on financial assets at fair value through profit or loss	675,586	528,792	-	-
	675,586	528,792	-	-
(ii) Policyholder investment contracts				
Interest income on financial assets at fair value through profit or loss	107,713	81,349	-	-
	107,713	81,349	-	-
Shareholders' interest income				
Interest income on financial assets at fair value through profit or loss	14,301	4,909	-	-
Total Policyholder's investment income	797,600	615,050	-	-
Total interest income	808,765	626,115	2,417	2,539
Shareholders' investment income				
Rental income on investment properties	10,505	10,373	-	-
Other income	-	-	367	257
Dividends	9,653	1,341	371,218	446,413
Investment management fees	-	-	-	-
	20,158	11,714	371,585	446,670

Notes to the Financial Statements
(Continued)

13. INVESTMENT INCOME (CONTINUED)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Policyholders' investment income				
(i) Policyholder insurance contracts				
Rental income on investment properties	16,512	22,715	-	-
Dividends	38,597	20,516	-	-
Investment management fees	(36,975)	(32,522)	-	-
	18,134	10,709	-	-
(ii) Policyholder investment contracts				
Rental income on investment properties	34,408	2,251	-	-
Dividends	98,894	118,024	-	-
	133,302	120,275	-	-
Total Policyholder's investment income	151,436	130,984	-	-
Total Investment income	171,594	142,698	371,585	446,670
13.1 Net losses from financial assets held at fair value through profit or loss				
Shareholders' net losses from financial assets held at fair value through profit or loss				
Fair value losses on investments	(91,285)	21,705	-	-
Foreign exchange losses	67,601	3,129	-	-
	(23,684)	24,834	-	-
Net gains/(losses) from financial assets held at fair value through profit or loss				
Policyholders' net gain from financial assets held at fair value through profit or loss				
(i) insurance contracts				
Fair value gains on investments	6,130	(376,384)	-	-
Foreign exchange losses	(106,691)	300,788	-	-
	(100,561)	(75,596)	-	-
(ii) investment contracts				
Fair value losses on investments	180,243	-	-	-
Total Policyholder net (losses)/gains from financial assets held at fair value through profit or loss	79,682	(75,596)	-	-
Total net losses from financial assets held at fair value through profit or loss	55,998	(50,762)	-	-

Notes to the Financial Statements
(Continued)

14. NET INSURANCE BENEFITS AND CLAIMS

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Life insurance contracts				
Individual life				
Death and disability claims	114,561	116,095	-	-
Maturity claims	280,954	257,859	-	-
Policy surrenders	171,310	172,099	-	-
Annuities	587,545	554,100	-	-
Reinsurance share on death and disability claims	(8,288)	(3,300)	-	-
Total individual life	1,146,082	1,096,853	-	-
Group and employee benefits				
Death and disability claims	283,152	218,311	-	-
Policy surrenders	211,806	180,866	-	-
Reinsurance share on death and disability claims	(26,292)	(8,929)	-	-
Total group and employee benefits	468,666	390,248	-	-
Total net insurance benefits and claims	1,614,748	1,487,101	-	-

15. ADMINISTRATION EXPENSES INCLUDE:

Auditors' remuneration				
- audit fee current period	4,506	4,680	590	500
- other services	-	551	-	-
Impairment of goodwill	-	2,965	-	-
Impairment expense of impairment investment in subsidiaries and associates	86,768	114,033	-	160,370
Depreciation of property and equipment	8,720	6,297	810	1,179
Amortisation of intangible assets	6,862	7,563	228	769
Directors' fees				
- for services as directors	4,330	3,319	2,804	2,817
- for managerial services	19,543	8,903	9,162	6,186
- pension contribution	1,237	317	560	317
Operating lease rentals	-	18,634	-	1,984
Depreciation of right of use assets	4,872	-	2,209	-
Staff costs	143,760	148,704	26,196	24,383
Salaries and wages for administration staff	121,456	124,876	19,787	19,049
Pension costs	13,761	11,387	1,760	2,199
Restructuring costs	-	3,799	-	-
Share based payment	8,543	8,642	4,649	3,135
Average number of employees	357	338	20	26

Notes to the Financial Statements
(Continued)

16. TAXATION

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Current tax	(93,058)	(94,550)	-	-
Prior year tax charge	-	341	-	-
Deferred tax	(8,466)	(3,993)	-	892
Withholding tax on dividends	2,605	(753)	(930)	(1,630)
Capital gains tax	-	3,261	-	-
Tax charge	(98,919)	(95,694)	(930)	(738)
Tax reconciliation				
Reconciliation between tax expense and accounting profit at the standard tax rate:				
Profit before tax	537,192	424,378	356,228	413,622
Tax calculated at a tax rate of 22%	118,182	101,675	78,370	54,472
Prior year tax charge	-	(341)	-	-
Expenses not deductible for tax	10,245	12,971	3,910	43,904
Income not subject to tax	(33,922)	(16,771)	(82,280)	(98,514)
Withholding tax on dividends	4,414	(753)	930	876
Capital gains tax	-	(1,087)	-	-
Tax charge	98,919	95,694	930	738

Income not subjected to tax includes dividends from subsidiaries and associates. Expenses not deductible relate to head office expenses incurred in the generation of non taxable income. The holding company had assesseble losses amounting to P5.4 million (2018: P8.8 million). In terms of Botswana tax laws the amounts can be carried for a period not exceeding 5 years.

16.1 Tax Paid				
Opening balance	2,428	(4,809)	738	1,845
Tax charge	90,453	91,701	930	1,630
Closing balance	5,258	(2,428)	216	(738)
Tax paid	98,139	84,464	1,884	2,737

Notes to the Financial Statements
(Continued)

17. EARNINGS PER SHARE (GROUP ONLY)

	Group 2019 P'000	Group 2018 P'000
Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	434,720	366,607
Number of shares in issue	282,371	282,371
Staff share scheme and treasury shares	-	(7,492)
Weighted average number of shares used for calculating basic earnings per share	282,371	274,879
Weighted number of dilutive options	(6,333)	65
Weighted average number of shares used for calculating diluted earnings per share	276,038	274,944
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
- basic	158	135
- diluted	158	135
Earnings per share (thebe) for continuing operations		
- Basic	157	133
- Diluted	157	133
Earnings per share (thebe) for discontinuied operations		
- Basic	1	1
- Diluted	1	1

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

18. DIVIDENDS PER SHARE PAID AND PROPOSED (GROSS OF WITHHOLDING TAX)

Declared and paid during the year:	P'000
Final dividend for the year to 31 December 2018: 67 thebe (2017: 67 thebe)	189,189
Special dividend for the year to 31 December 2018: 16 thebe (2017: 35 Thebe)	45,179
Interim dividend for six months to 30 June 2019: 48 thebe (2018: 60 thebe)	134,318
	368,686
Dividend proposed after year end not recognised in the financial statements:	
Final dividend for the year to 31 December 2019: 59 thebe (2018: 67 thebe)	166,599
Special dividend for the year to 31 December 2019: 11 thebe (2018: 16 Thebe)	31,061
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December)	197,660

Notes to the Financial Statements
(Continued)

19. RELATED PARTY DISCLOSURES

The Group financial statements include the financial statements of Botswana Insurance Holdings Limited, subsidiaries, associates and joint venture as listed in the following table:

Principal subsidiaries	Country of incorporation	100 % of interest held		Nature of business
Directly held		**2019**	**2018**	
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Limited	Botswana	100	100	Holding company
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
BIHL Legal Guard (Pty) Ltd	Botswana	100	100	Dormant
BIHL Insurance Company Limited	Botswana	-	100	Short term insurance
BIHL Trust	Botswana	100	100	Corporate Social Responsibility
BIHL Employee Share Scheme Trust	Botswana	N/A	N/A	Employee Share Trust
KYS Investments (Pty) Ltd	Botswana	63	63	Hospitality industry
Private Property (Botswana) (Pty) Ltd	Botswana	74	74	Real estate
Letshego Guard (Pty) Limited	Botswana	100	100	Dormant
Balanced Prudential Fund	Botswana	23	-	Collective Investmetn Undertaking
Pula Money market	Botswana	28	-	Collective Investmetn Undertaking
Local equity Funds	Botswana	78	-	Collective Investmetn Undertaking
BIFM Global Balanced Conservative Fund B1	Botswana	98	-	Collective Investmetn Undertaking
BIFM Local Balanced Conservative Fund Class B	Botswana	98	-	Collective Investmetn Undertaking
BIFM Offshore Bond Fund B1	Botswana	47	-	Collective Investmetn Undertaking
BIFM Off Money Market Fund B1	Botswana	73	-	Collective Investmetn Undertaking
BIFM Off Private Equity B1	Botswana	94	-	Collective Investmetn Undertaking
BIFM Local Bond Fund B1	Botswana	71	-	Collective Investmetn Undertaking
BIFM Local Equity Fund B1	Botswana	66	-	Collective Investmetn Undertaking
BIFM Local Property B1	Botswana	39	-	Collective Investmetn Undertaking
BIFM Local Money Market B1	Botswana	30	-	Collective Investmetn Undertaking
Letlotlo	Botswana	100	-	Collective Investmetn Undertaking
Yamasa	Botswana	100	-	Collective Investmetn Undertaking
Indirectly held				
Botswana Insurance Fund Management Limited	Botswana	89	89	Asset management
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance
Bifm Unit Trusts (Pty) Ltd	Botswana	100	100	Unit Trusts

The Holding Company
The ultimate holding company of the Group is Sanlam Limited which is based and listed in South Africa.

Associates and Joint ventures

The Group's interest in associates and joint ventures is disclosed in note 4.5 to the financial statements

Notes to the Financial Statements
(Continued)

19. RELATED PARTY DISCLOSURES (CONTINUED)

		Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
19.1 Related party transactions					
Transactions on insurance contracts (Expense)/Income					
i) Sanlam Limited (59% shareholder of BIHL)					
- Premium ceded to reinsurer		-	-	-	-
- Claim recoveries from reinsurer		-	-	-	-
- Recoveries, travel claims and other meeting expenses		4,569	5,498	-	-
ii) Letshego Holdings Limited (Associate company of BIHL)	Credit life income	175,737	174,506	-	-
	Claims paid	(165,345)	(113,781)	-	-
iii) Funeral Services Group Limited (FSG) (Associate company of BIHL)	Share of income	6,093	6,788	-	-
Summary of transactions with related parties					
- Shared expenses					
- Botswana Life Insurance Limited (100% owned by BIHL)		-	-	4,530	6,422
- BIFM (100% owned by BIHL)		-	-	2,054	2,523
- BIHL Unit Trusts (100% owned by BIHL)		-	-	179	221
- BIHL Insurance Company Limited (100% owned by BIHL)		-	-	1,061	1,741
- Dividends received					
- Botswana Life Insurance Limited (100% owned by BIHL)		-	-	286,284	328,840
- BIFM (74.9% owned by BIHL)		-	-	65,559	103,732
- KYS Investments (Pty) Ltd (63% owned by BIHL)		-	-	5,173	-
- Investment returns			-	-	-
- Balanced Prudential Fund		140	-	-	-
- Pula Money market		(880)	-	-	-
- Local equity Funds		(576)	-	-	-
- BIFM Global Balanced Conservative Fund B1		31	-	-	-
- BIFM Local Balanced Conservative Fund Class B		44	-	-	-
- BIFM Offshore Bond Fund B1		33,334	-	-	-
- BIFM Off Money Market Fund B1		(1)	-	-	-
- BIFM Off Private Equity B1		(23,513)	-	-	-
- BIFM Local Bond Fund B1		4,530	-	-	-
- BIFM Local Equity Fund B1		(490)	-	-	-
- BIFM Local Property B1		12,683	-	-	-
- BIFM Local Money Market B1		2,334	-	-	-
- Letlotlo		4,004	-	-	-
- Yamasa		6,520	-	-	-

Notes to the Financial Statements
(Continued)

19. RELATED PARTY DISCLOSURES (CONTINUED)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Year end balances arising from transactions on other services other than insurance contracts				
Amount receivable				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	560	-
- BIFM(100% owned by BIHL)	-	-	-	21,895
- BIHL Employee Share Scheme Trust	-	-	-	18,623
- BIHL Trust	-	-	217	1,360
	-	-	777	39,654
Amount payable				
- Botswana Insurance Fund Managgement (100% owned by BIHL)			(708)	-
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	-	(11,403)
- Letshego Guard (Pty) Limited (100% owned by BIHL)	-	-	(14,737)	(14,737)
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	-	(12)
- Sanlam (59% shareholder of BIHL)	(15,869)	(17,632)	-	-
	(15,869)	(17,632)	(15,445)	(26,152)
Year end balances arising from transactions on insurance contracts.				
Net due frm				
-Balanced Prudential Fund	3,634	-	-	-
-Pula Money market	173,762	-	-	-
-Local equity Funds	10,891	-	-	-
-BIFM Global Balanced Conservative Fund B1	1,371	-	-	-
-BIFM Local Balanced Conservative Fund Class B	1,265	-	-	-
-BIFM Offshore Bond Fund B1	304	-	-	-
-BIFM Off Money Market Fund B1	10,117	-	-	-
-BIFM Off Private Equity B1	213,162	-	-	-
-BIFM Local Bond Fund B1	163	-	-	-
-BIFM Local Equity Fund B1	945	-	-	-
-BIFM Local Property B1	211	-	-	-
-BIFM Local Money Market B1	94,397	-	-	-
-Letlotlo	4,004	-	-	-
-Yamasa	6,520	-	-	-
	520,744	-	-	-

The above transactions were carried out on commercial terms and conditions and at market prices.

Loans to directors (Group)

There were no loans to Directors.

Terms and conditions of transactions with related parties

The transactions between related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and are generally settled in 90 days. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group did not record an impairment of receivables relating to amounts owed by related parties (2018: NIL). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Notes to the Financial Statements
(Continued)

19. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with key management

(i) Compensation of key management personnel of the Group

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
- Short-term employee benefits	14,678	23,416	9,298	6,911
- Pension costs - defined contribution plans	1,237	3,751	727	829
- Share based payments	4,864	10,241	2,458	4,296
- Other long-term benefits	-	2,403	-	-
	20,779	39,811	12,483	12,036

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

(ii) Directors' shareholding in Group

	2019 No of shares	2018 No of shares
B. Dambe-Groth	23,923	23,923
M. Mpugwa	5,569	5,569
T.C. Masire	591	591
C. Chauhan	75,020	75,020
C. Lesetedi	144,938	211,637
	250,041	316,740
Total		-

(iii) Non - executive directors' remuneration	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
- For services as directors	4,227	3,319	2,804	2,803
- For other services	-	45	-	-
	4,227	3,364	2,804	2,803

(iii)Executive directors emoluments (Group and Company)

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long term incentive plans.

(a) Short-term emoluments

Name	Months of service	Salary P'000	Bonus P'000	Other benefits P'000	Total P'000
2019					
C Lesetedi	12	3,095	1,350	1,700	6,145
K Mukushi	12	2,131	915	530	3,576
Total executive directors		3,095	1,350	1,700	6,145
2018					
C Lesetedi	12	2,328	1,558	317	4,203
Total executive directors		2,328	1,558	317	4,203

Notes to the Financial Statements
(Continued)

19. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Long-term emoluments

Share purchase plans

	No. of options	No of grants-CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
2019							
C Lesetedi							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.20	(89,489)	-	-	-
Granted 2013	-	66,158	16.30	(66,158)	-	-	-
Granted 2014	-	65,270	18.55	(65,270)	-	-	-
Granted 2015	-	105,846	17.50	(105,846)	-	-	-
Granted 2016	-	80,402	17.50	(80,402)	-	-	-
Granted 2017	-	71,423	-	-	-	71,423	2027
Granted 2018	-	102,426	-	-	-	102,426	2028
Granted 2019	-	43,468	-	-	-	43,468	2029
Total	231,413	624,482	-	(638,578)	-	217,317	
2018							
C Lesetedi							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.20	(89,489)	-	-	-
Granted 2013	-	66,158	16.30	(66,158)	-	-	-
Granted 2014	-	65,270	18.55	(65,270)	-	-	-
Granted 2015	-	105,846	17.50	(105,846)	-	-	-
Granted 2016	-	80,402	-	-	-	80,402	2026
Granted 2017	-	71,423	-	-	-	71,423	2027
Granted 2018	-	102,426	-	-	-	102,426	2028
Total	231,413	581,014	-	(558,176)	-	254,251	

	No. of options	No of grants-CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
2019							
K Mukushi							
Granted 2016	-	173,227	17.50	(173,227)	-	-	-
Granted 2017	-	85,780	-	-	-	85,780	2027
Granted 2018	-	51,213	-	-	-	51,213	2028
Granted 2019	-	-	-	-	-	-	-
Total	-	310,220	-	(173,227)	-	136,993	

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed. Refer to note 21(b) for additional information on the scheme.

Notes to the Financial Statements
(Continued)

20. COMMITMENTS

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Operating lease commitments				
(i) The future minimum lease payments under non-cancellable operating leases				
Within one year	-	6,925	-	2,083
More than 1 year, but less than 5 years	-	6,682	-	2,048

The operating leases are for buildings that the Group is renting for business purposes. The leases are over an average period of five years.

(ii) The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease payments under non-cancellable operating leases				
Future minimum lease rentals receivable				
Within one year	7,854	7,744	-	-
More than 1 year, but less than 5 years	1,198	9,052	-	-

(ii) The company has entered into operating leases on a portion of its owner occupied property. Contingent rents are recognised as revenue in the period in which they are earned. Leases are subject to escalations on an anniversary of the lease as agreed with the lessor.

21. EMPLOYEE BENEFITS

(a) Retirement benefit plan

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Group in a fund under the control of trustees.

The total expense charged to income of P12.4 million (2018: P11.7 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plan.

(b) Share-based payment

The Group has a share based payment scheme. The scheme is divided for (i) Management (ii) Other Staff.
The Group introduced additional two new schemes in 2010. These are (a) The Share Option Scheme and (b) Conditional Share plan

(i) Other Staff

The scheme has been wound up and the share based payment reserve of P42.1 million was moved to retained earnings in 2017. Staff were granted share options after a period of 2 continuous years of service to the group. The share options vested after a period of 3 years of continuous service from the grant date; therefore the employee had to be continuously employed with the group for 5 years before the shares vested. Staff did not pay for the share options. As the settlement was by way of shares, the scheme was classified as equity settled for accounting purposes.

(ii) The Share Option Scheme (SOS)

All employees are eligible to participate in the scheme based on superior performance.
BIHL grants the employees option to obtain shares in BIHL The share options vests after a period of three years of continuous service from the grant date. The shares are issued at the ruling market price on the date of the grant. The Company and Group accounts for the awards as equity settled. After the share options have vested, employees are given a period of 10 years from the offer date to exercise their option. The amount carried in the share based reserve at 31 December 2019 is P0.752 million (31 December 2018: P0.752 million). The expense recognised in the income statement is PNIL (2018: PNIL).

Notes to the Financial Statements
(Continued)

21. EMPLOYEE BENEFITS (CONTINUED)

Movement during the year	2019 Number of share options '000	2019 Weighted average exercise price Pula	2018 Number of share options '000	2018 Weighted average exercise price Pula
Outstanding at the beginning	65	11.60	65	11.60
Exercised	(2)	11.49	-	-
Outstanding at the end of year	63	11.48	65	11.60
Exercisable at 31 December	63	11.48	65	11.60

The were no options granted during the year (2018: PNIL). The weighted average value of options granted during the year was PNIL(2018: PNIL)
The weighted average remaining contractual life for the shares outstanding as at 31 December 2019 is 2 year (2018: 3 years)

The range of exercise prices for options outstanding at the end of the year was P11.00 - P11.75 (2018: P11.00 - P11.75)

(iii) Conditional Share Plan (CSP)

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the Group. The awards are given as grants. The awards are aligned to strategic periods and targets. Employees must remain in service for a period of three consecutive years from the date of grant. Vesting is based on satisfactory performance of individuals as per their scorecards over the stated three years. BIHL grants the employees to obtain shares in BIHL. The employer companies will, however, remain responsible to fund the procurement and settlement of shares issued to its employees in terms of the scheme at the time the shares are so procured.

The amount carried in the share based reserve at 31 December 2019 is P57.0 million (31 December 2018: P47.8 million). The expense recognised in the income statement is P9.2 million (2018: P8.6 million).

Movement during the year	2019 Number of grants '000	2019 Weighted average Fair value price at grant/exercise date Pula	2018 Number of grants '000	2018 Weighted average Fair value price at grant/exercise date Pula
Outstanding at the beginning	1,311	10.29	1,403	10.29
Granted	643	17.50	841	15.20
Forfeited	(20)	18.54	(318)	16.35
Exercised	(565)	17.55	(615)	18.54
Outstanding at the end of year	1,368	13.80	1,311	13.79

The weighted average remaining contractual life for the grants outstanding as at 31 December 2019 is 3 years (2018: 3 years).
The number of Conditional shares granted during the year was 643,100 (2018: 840,907).
The weighted average fair value exercise prices for grants outstanding at the end of the year was P14.10 (2018: P13.79).

The following assumptions have been used in the valuations model of the Share Option Scheme (SOS):

	2019	2018
Dividend yield	6.51%	6.59%
Volatility	1.52%	2.99%
Risk free interest rate	5.38%	5.38%
Spot price	17.50	17.50
% of remaining employees	80.00%	80.00%

Notes to the Financial Statements
(Continued)

21. EMPLOYEE BENEFITS (CONTINUED)

The following assumptions have been used in the valuations model of Conditional Share Plan (CSP):

Dividend yield	6.51%	6.59%
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price	17.50	17.50
% of remaining employees	80%	80%

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option-pricing model. In terms of best practice, we have adopted a modified binomial tree model for valuation purposes, which can be described, at a high-level, as follows:

i) The life of the option is divided into a large number of small time periods.
ii) A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.
iii) Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.

iv) For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date.

v) Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, and taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with valuation date) is calculated. This represents the fair value of the option.

Other inputs used

Generally, there are seven variables that determine the price of an employee share option:
i)The market price of the underlying share at the grant date;
ii) The strike price of the option;
iii) The time remaining until the option expires (i.e. the expiry date of the option);
iv) The time remaining until the option vests;
v) The expected dividend yield of the underlying share over the life of the option;
vi) The expected volatility of the underlying share over the life of the option; and
vii) The risk-free interest rate over the life of the option.

Volatility

The volatility input to the pricing model is a measure of the expected price fluctuations of the underlying security over a given period of time. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. This is in line with market practice. All else being equal, the more volatile the underlying share, the greater the price of the option. There are two common approaches to calculating volatility. The first method uses historical price data of the underlying share, while the second technique employs data from the options market itself (provided that an active market exists for the options under consideration). Because there are no options trading in the market that are similar to the BIHL share options, historical data from a period prior to each grant date, which is commensurate with the options' contractual term to maturity, was used to calculate the expected volatility of the BIHL shares over the options' lifetimes.

(c) BIFM CEE scheme

Participants to the BIFM CEE scheme are given participation rights in the form of unit which in turn are linked to the performance of the BIFM Limited share price. The vesting of the conditional awards is subjec to the participant being continously employed for three year until the vesting date and fulfiling performance conditions. For awards issued in February 2018, the vesting of the grants are over the three financial years ending December 2020.

After the grants options have vested, employees are given a period of 30 days from the date of vesting to exercise their option. The expense recognised in the income statement is P897 thousand (2018: P897 thousand).

Notes to the Financial Statements
(Continued)

21. EMPLOYEE BENEFITS (CONTINUED)

Movement during the year	2019 Number of unit options '000	2019 Weighted average exercise price Pula	2018 Number of unit options '000	2018 Weighted average exercise price Pula
Outstanding at the beginning	960	-	-	-
Granted	-	2.97	960	2.97
Outstanding at the end of year	960	2.97	960	2.97
Exercisable at 31 December	960	2.97	960	2.97

The BIFM CEE scheme is cash-settled and is thus repriced at each reporting date. The fair value of shares granted under this scheme during the current financial year, has been calculated using the closing price of P2.70 adjusted for expected future dividends that will be declared by BIFM during the vesting period.

Included in the share based payment reserve is an amount of P1.79 million (2018:P897 thousand) arising from the BIFM CEE Scheme.

22. CASH GENERATED FROM OPERATIONS

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Profit before tax from continuing operations	537,192	462,157	356,228	247,601
Non cash flow items	(210,633)	(28,837)	(12,519)	165,453
Depreciation	8,720	6,297	810	1,179
Amortisation	6,862	7,563	228	769
Depreciation of right of use asset	4,872	-	2,209	-
Impairment (expense)/reversal of associates/subsidiary	86,768	-	(10,387)	160,370
Unrealised fair value gains on shareholder assets	23,684	(24,834)	-	-
Net unrealised losses/(gains) from financial assets held at fair value through profit or loss	(79,682)	75,596	-	-
Unrealised fair value gains on investment properties and property funds	(39,037)	(55,354)	-	-
Interest expense on leases (IFRS 16)	1,110	-	729	-
Profit on disposal of subsidiary	(3,472)	-	(10,757)	-
Equity-accounted earnings	(229,001)	(52,871)	-	-
Rental expense (straight lined)	-	18,634	-	-
Rental paid	-	(12,510)	-	-
Share - based payments	8,543	8,642	4,649	3,135
Items disclosed separately	(241,726)	(216,688)	(373,635)	(448,952)
Interest income	(133,179)	(97,323)	(2,417)	(2,539)
Dividend income	(108,547)	(119,365)	(371,218)	(446,413)
Working capital changes:	647,745	340,421	14,610	19,678
Net decrease/(increase) in insurance and other receivables	64,451	(7,193)	25,656	14,271
Net (decrease)/increase in policyholder liabilities	(2,077,086)	302,847	-	-
Increase in external investors in consolidated funds	2,667,763	-	-	-
(Increase)/decrease in reinsurance assets	(1,368)	(3,933)	-	-
Net (decrease)/increase in insurance and other payables	(41,923)	48,700	(11,046)	5,407
Cash generated from operations	696,670	557,053	(15,316)	(16,220)

Notes to the Financial Statements
(Continued)

23. CASH AND BANK

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Cash and bank	88,096	49,340	73,999	63,504
Funds on deposit	73,999	63,504	-	-
Cash and cash equivalents	162,095	112,844	73,999	63,504

Cash and cash equivalents are held for varying periods of between one day and three months depending on the immediate cash requirements of the Group. All deposits are subject to an average variable interest rate of 1.66% (2018: 1.77%). Funds on deposit have a maturity of three months or less.

The carrying amounts disclosed above reasonably approximate fair values at year end.

24. RISK MANAGEMENT

24.1 Financial risks

The main categories of financial risks associated with the financial instruments held by the business' shareholders' fund are summarised in the following table:

Type of risk	Description
Financial risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following:
	Equity price risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
	Interest rate risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
	Currency risk: the risk that fair value or future cashflows of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk includes:
	Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Liquidity risk	Liquidity risk is the risk that the business will encounter difficulty in meeting its obligations associated with financial liabilities.
Insurance risk	Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the insurer. The Group has included:
	Underwriting risk: the risk that the actual experience relating to mortality, disability, medical and short-term insurance risks will deviate negatively from the expected experience used in the pricing/valuation of solutions.
	Lapse risk: the risk of financial loss due to negative lapse experience.
	Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.
	Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.
Capital adequacy risk	Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience, worse (to the extent as defined) than that which has been assumed in the financial soundness valuation.

The credit risk and liquidity risk notes include financial instruments from the shareholder and policy holder, while the market risk notes only include share holder instruments and policy holder instruments that are not linked or not market related.

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

On the 11th of October 2019, BIFM transferred the Pooled funds to newly formed and registered CIU Trusts, effectively moving all thrid party investments off the Bifm balance sheet and retaining the investments and units directly owned by Bifm. The CIU funds are now consolidated in the Group's financials where the Group has invested more than 20% and a corresponding liability to the investors is reflected in note 8 and the assets are included as part of note 4.

24.2 Market risk
The Group is exposed to financial risk, credit risk and liquidity risk on shareholder financial instruments as well as financial instruments backing non-participating or not market linked insurance contract liabilities. For investment contracts, policyholder assets and liabilities will offset one another and therefore there is no exposure to market risk. Market risk arises from the uncertain movement in the fair value of financial instruments that stems principally from potential changes in sentiment towards the instrument, the variability of future earnings that is reflected in the current perceived value of the instrument and the fluctuations in interest rates and foreign currency exchange rates.

The shareholders' fund investments in equities and interest-bearing instruments are valued at fair value and are therefore susceptible to market fluctuations.

Comprehensive measures and limits are in place to control the exposure to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the life operations' long-term solvency capital and the business' investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

24.3 Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is the Group's and Company's objective to minimise interest rate risk to a minimum.

Floating rate instruments expose the Group and Company to cash flow interest risk, whereas fixed interest rate instruments expose the Group and Company to fair value interest risk.

The Group's and Company's interest risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until the maturity.

The Investment committee set the limits in the investment mandates, and meet quarterly to review compliance with the agreed mandates, and where necessary review the limits.

Sensitivity analysis to interest rate risk
The Group is exposed to interest rate risk through a change in interest income or expense based on floating rate instruments and through changes in fair value of financial instruments at fair value through profit and loss based on fixed rate instruments. The impact on equity is the post tax amount.

The purpose of this note is to enable the user to have a better understanding of the effect of interest rate movement on interest bearing instruments. Interest rate risk relates to variable rate financial instruments, call deposit accounts and floating rate fixed income securities. The following table sets out the carrying amounts of the Group's financial instruments that are exposed to interest rate risk.

Group

2019	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
BWP	0.75%	416,632	3,125	2,438
BWP	-0.75%	416,632	(3,125)	(2,438)
USD	0.5%	22,491	112	87
USD	-0.5%	22,491	(112)	(87)
2018				
BWP	0.5%	264,264	1,321	1,030
BWP	-0.5%	264,264	(1,321)	(1,030)
USD	0.5%	13,449	67	52
USD	-0.5%	13,449	(67)	(52)

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Company

2019	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
BWP	0.5%	73,999	370	289
BWP	-0.5%	73,999	(370)	(289)
2018				
BWP	0.5%	63,504	318	248
BWP	-0.5%	63,504	(318)	(248)

24.4 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Botswana Pula and its exposure to foreign exchange risk arises primarily with US dollar and South African Rand. It is the Group's objective to minimise currency risk to a minimum.

The main foreign exchange risk arises from recognised assets denominated in currencies other than those in which Insurance and Investment liabilities are expected to be settled. The Group manages its South African Rand foreign currency risk by hedging transactions in line with the expected duration of risk.

Group

2019	United States Dollar 000
Equity instruments	213,162
Money market instruments	22,152
Bonds	339
Foreign currency exposure	235,653
Average rate	10.87
Closing rate	10.58
2018	
Equity investments	173,854
Money market instruments	13,266
Bonds	-
Foreign currency exposure	187,120
Average rate	10.28
Closing rate	10.73

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Currency sensitivity
The following table demonstrates the sensitivity (for shareholder funds and assets backing non participating policies) to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Group
2019

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
USD	3%	235,653	7,070	5,515
USD	-3%	235,653	(7,070)	(5,515)
2018				
USD	5%	187,120	9,356	7,298
USD	-5%	187,120	(9,356)	(7,298)

24.5 Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) in equities and debt securities, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit linked business.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market. The price risk movement on bonds is included in the interest rate risk note.

Price sensitivity analysis
The following table shows the effect of price changes on domestic market and foreign market equities. The sensitivity analysis uses the Domestic Company Index which is the principle stock index of the Botswana Stock exchange and the Morgan Stanley Capital Index which is a market capitalisation weighted benchmark index made up of equities from 23 countries including the United States. Indices are free-float weighted equity indices.

The disclosures are based on shareholder financial instruments as well as financial instruments backing non-participating or not market linked insurance contract liabilities.

Group
2019

Botswana Stock Exchange	3%	14,693	441	344
Listed property companies - Botswana	3%	210	6	5
World Equity Index	1%	213,162	2,132	1,663
Botswana Unit Trusts	3%	10,891	327	255
Total exposure		238,956	2,906	2,267
2018				
Botswana Stock Exchange	3%	12,919	388	303
Listed property companies - Botswana	3%	909	27	21
World Equity Index	1%	173,854	1,739	1,356
Botswana Unit Trusts	3%	515	15	12
Total exposure		188,197	2,169	1,692

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

24.6 Credit risk
Credit risk in the Group arises from the possibility of investments in bonds, offshore money markets, long term reinsurance assets, insurance and other receivables, reinsurance contracts receivables, deferred insurance acquisition cost, local money markets, policy loans and other loans, related party receivables and cash and bank balances with banks will not be redeemed by the relevant counter parties when they become due.
The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. It is the Group's objective to minimise credit risk to a minimum.

Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments; i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investment that may be held.

The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings. Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews.

The credit risk in respect of customer balances, incurred on non payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. There is no concentration of risk with respect to customer balances as the company has a large number of varied customers.

The policyholder and shareholder funds follow specific investment mandates that have been agreed with asset managers. These mandates depict how much type of assets to hold in each portfolio based on their perceived risk and thereby reducing both concentration of specific assets and of currency. There is also a diversity in the different sectors of economy in which our funds are invested, see note 4. Investments in government bonds, money markets and corporate bonds are managed by BIFM the asset management subsidiary as per signed mandates.

There is no concentration on Money markets, cash and bank, the risk is spread as the Group and company invest with various banks in the country.

Maximum credit risk exposure
The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.
The disclosures are based on both shareholder and policyholder assets

Group

	2019 Total P000	2018 Total P000
Long term reinsurance assets	7,718	6,350
Bonds - Government	5,023,380	4,463,934
- Corporate (listed, unlisted)	3,584,799	3,567,978
Money market instruments	2,834,067	1,204,818
Other loan advances	-	393,951
Loans at amortised cost	50,000	50,000
Insurance and other receivables	247,033	304,585
Cash, deposits and similar securities	162,095	112,844
Maximum credit risk exposure	11,909,092	10,104,460
Company		
Other receivables	23,001	656
Related party balances	777	41,878
Cash, deposits and similar securities	73,999	63,504
Maximum credit risk exposure	97,777	106,038

Cash and cash equivalents are held by entities with acceptable credit ratings. Related party balances are considered to be of acceptable/high credit quality due to the financial position of the counter-parties.

Financial assets pledged as collateral
There are no financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Credit quality of interest bearing financial assets
The table below shows the maximum exposure to credit risk for the components of the balance sheet. Generally most companies' financial instrument do not have official credit ratings therefore majority of balances are not rated.Moody's Investors Service retained the stable outlook and the A2 rating (2018: A2 rating) for both foreign and domestic bonds. The A2 rating is based on the assessment that balances potential challenges associated with a country having a small size economy and middle-income status, against the strength relating to the country's sound policy framework and effectiveness of government. The assessment further noted that the country has institutional strength supporting a well designed macroeconomic framework and a stable political environment.

Group
2019

	Botswana Pula	A2 rated	Not rated	Total P'000
Long term reinsurance assets	7,718	-	7,718	7,718
Government bonds	4,585,831	4,585,831	-	4,585,831
Corporate bonds and other	4,022,348	-	4,022,348	4,022,348
Money markets	2,834,067	-	2,834,067	2,834,067
Other loan advances	-	-	-	-
Other loans at amortised cost	50,000	-	50,000	50,000
Insurance andother receivables	247,033	-	247,033	247,033
Cash and bank balances	162,095	-	162,095	162,095
TOTAL ASSETS	11,909,092	4,585,831	7,323,261	11,909,092

2018

Unlisted Bonds	Botswana Pula	A2 rated	Not rated	Total P'000
Long term reinsurance assets	6,350	-	6,350	6,350
Government bonds	4,401,788	4,401,788	-	4,401,788
Corporate bonds and other	3,630,124	-	3,630,124	3,630,124
Money markets	1,204,818	-	1,204,818	1,204,818
Other loan advances	393,951	-	393,951	393,951
Other loans at amortised cost	50,000	-	50,000	50,000
Insurance andother receivables	304,585	-	304,585	304,585
Cash and bank balances	112,844	-	112,844	112,844
TOTAL ASSETS	10,104,460	4,401,788	5,702,672	10,104,460

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Corporate bonds and other are held by reputable financial institutions and parastatals. An annual independent evaluation is performed on the financial strengths of the corporates to asses the credit risk on these bonds. Continuous monitoring is also performed. Money market investments are with reputable local banks and reputable foreign fund managers with good financial wealth. Policy loans were secured by the policy investment value.Trade and other receivables are on 30 day terms (refer note 5).

Collateral held in respect of financial assets
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low risk and recoverable.
No transfer of ownership takes place in respect of collateraland any such collateral accepted from counterparties may not be used for any purpose other than being held as security.

Unlisted bonds	2019 Collateral held P'000	2019 Credit exposure P'000	2018 Collateral held P'000	2018 Credit exposure P'000
ABC Holdings Limited	62,563	67,966	61,554	139,461
Allied Investments Limited	211,930	142,321	211,930	103,021
Babereki Investments (Pty) Ltd	38,427	50,000	140,284	50,000
BIFM Local Bond	-	361,506	-	342,330
BIFM Offshore bond	-	167,283	-	89,011
Botho Park	190,000	34,984	180,000	50,178
Botswana Savings Bank	-	60,296	-	62,147
Cash Bazaar Holdings	150,000	121,757	150,000	122,550
Choppies	-	-	65,000	65,000
First National Bank of Botswana	-	518,145	-	481,825
Flip Coin (Pty) Ltd	165,416	96,216	165,416	97,124
Lonrho Hotels Botswana	30,000	33,156	30,000	34,121
Meybeernick Investment (Pty) Ltd	-	114,375	-	114,745
Prime Time Holdings	81,200	79,628	93,530	80,135
RDC properties Limited	195,000	162,997	139,000	59,174
Real People Investment Holdings	-	39,488	-	50,188
Stanbic Bank PLC	-	977,815	-	931,522
Standard Bank	-	276,258	-	268,901
The FAR Property Company Limited	136,075	110,067	147,208	112,527
Three Partners Resort (Pty) Ltd	558,860	76,019	558,860	76,693
Government of Botswana(BW005	-	-	-	-
Government of Botswana(BW007)	-	289,708	-	287,030
Government of Botswana(BW008)	-	20,176	-	-
Government of Botswana(BW011)	-	1,933,229	-	1,966,697
Government of Botswana(BW012)	-	1,242,493	-	1,185,957
Government of Botswana(BW015)	-	487,802	-	235,213
US Treasury	-	-	-	160,126
Debt Participation Capital Fund(DPCF005)	-	-	-	36,726
Debt Participation Capital Fund (DPCF006)	-	22,358	-	23,046
Debt Participation Capital Fund (DPCF007)	-	16,028	-	16,049
Water Utilities Corporation (WUC002)	-	129,682	-	130,023
Total	1,819,471	7,631,755	1,942,782	7,371,522

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Impairment assessment
Accounting policy note 7 on financial instruments-Impairment of financial assets details the approach to determining whether an instrument or a portfolio of instruments is subject to twelve month ECLs or Lifetime ECLs.

Impairment losses on financial investments subject to impairment assessment
The Group applies a simplified approach in calculating ECLs for Trade and Other receivables, Agents and Brokers and Related party loans. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group calculates the ECL by first determining the probability of default. Default exposures are those that satisfy either or all of the following criteria:
a) material exposures which are more than 90 days past-due;
b) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.
c) credit impaired exposures

The propability of default (PD) is the likelihood that a debtor will default on its debts within a certain period (life-time in this case). The probability of default is calculated according to the following formula:
PD = (Total Exposure of facilities that defaulted during observation period)/(Total Exposure in the beginning period)
Since the company's aged information does not reveal the pattern of recoverability and defaults, PDs are calculated using the average Net Flow information over the observable period (24 months) for each category. All loans are assessed for life time ECL.
To arrive at the net flow rate, balances are cumulatively assessed over the prior period to arrive at the average percentage that remains uncollected.
The PD's determined are adjusted using macro economic factors such as inflation and country's GDP as forward-looking factors. However, since the default rates for most of the receivables category is close to 100% for agent loans and broker advances, no further adjustment is considered necesary.
The PD is applied to the receivable balance in order to arrived at the amount Exposed to Default. The Loss given default (LGD) is applied to the amount Exposed to Default to determine the Expected Lifetime Credit Loss.
The Loss given default (LGD) is the percentage that can be lost when a debtor defaults. LGD are assigned using historical experience of recoverability for each class of receivables. Since none of the receivables are collateralised, past history of recoverability is used for determining the LGD.
The tables below shows the values of the Group's financial instruments subject to ECL together with the estimated lifetime credit losses (LTECL) calculations. The total amount of provision using the simplified approach in calculating the ECLs is P22.9 million (2018: P17.6 million) and is detailed below.

Broker loans and Agent advances/ Commissions

	Balance at 31 Dec 2019	PiT (PD)	Exposed to default	LGD	Expected Credit Loss (Life Time)
	P'000	%	P'000	%	P'000
Broker loans	1,226	73%	895	100%	895
Broker Advances	15,292	99%	15,198	49%	7,447
Loans to Agents	16,784	100%	16,784	77%	12,987
					21,329

Broker loans and Agent advances/ Commissions

	Balance at 31 Dec 2018	PiT (PD)	Exposed to default	LGD	Expected Credit Loss (Life Time)
	P'000	%	P'000	%	P'000
Advances/loans to Brokers exposed to default	9,372	100%	9,372	49%	4,566
Loans to Agents	15,270	97%	14,780	75%	11,085
					15,651

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Trade and Other Receivables

	Balance at 31 Dec 2019	PiT (PD)	Exposed to default	LGD	Expected Credit Loss (Life Time)
	P'000	%	P'000	%	P'000
Staff debtors	1,216	100.00%	1,216	25%	304
Sundry debtors	2,434	49.99%	1,217	100%	1,217
					1,521

	Balance at 31 Dec 2018	PiT (PD)	Exposed to default	LGD	Expected Credit Loss (Life Time)
	P'000	%	P'000	%	P'000
Staff debtors	1,496	92.07%	1,377	25%	344
Sundry debtors	11,059	59.20%	6,547	25%	1,637
					1,981

Related party receivables
For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: P NIL). Related party balances are all cleared within 60 days and as 31 December 2019, the related party balances were immaterial.

24.7 Liquidity risk
The liquidity risk arises from the potential inability of the Group paying its policy holders and short term creditors when they become due or they mature, because assets are not properly matched. There is an Actuarial committee and an Investment Committee that meet periodically to review the matching of assets and liabilities and other investment decisions; the Group is continually looking for investments that match its liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities are based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Assets maturities have been disclosed on the basis of contractual maturities. The disclosures are based on both shareholder and policyholder assets.

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Company 2019 Financial Assets:	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Insurance and other receivables	23,001	-	-	-	-	23,001
Related party balances	777	-	-	-	-	777
Cash, deposits and similar securities	73,999	-	-	-	-	73,999
	97,777	-	-	-	-	97,777
Financial Liabilities:						
Insurance and other payables	22,956	-	-	-	-	22,956
Related party balances	15,445	-	-	-	-	15,445
IFRS 16-Lease liability	4,831	15,046	1,554	-	-	21,431
	38,401	-	-	-	-	38,401

2018 Financial Assets:	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Insurance and other receivables	656	-	-	-	-	656
Related party balances	41,878	-	-	-	-	41,878
Cash, deposits and similar securities	63,504	-	-	-	-	63,504
	106,038	-	-	-	-	106,038
Financial Liabilities:						
Insurance and other payables	23,295	-	-	-	-	23,295
Related party balances	26,152	-	-	-	-	26,152
	49,447	-	-	-	-	49,447

Maturity analysis of financial assets and financial liabilities:

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable:

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

Group 2019	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Financial Assets:							
Long term reinsurance assets	7,718	-	7,718	-	-	-	7,718
Investment in unlisted property companies	729,294	-	-	-	-	729,294	729,294
Bonds (Government, public authority, listed & unlisted corporates)	8,608,179	2,348,273	1,699,392	6,637,341	-	-	10,685,005
Equity investments	1,784,202	-	-	-	-	1,784,202	1,784,202
Money market instruments	2,834,067	2,834,067	-	-	-	-	2,834,067
Loans at amortised cost	50,000	6,000	27,729	54,616	-	-	88,345
Insurance and other receivables	247,033	247,033	-	-	-	-	247,033
Cash, deposits and similar securities	162,095	162,095	-	-	-	-	162,095
Total undiscounted assets	14,422,588	5,597,468	1,734,839	6,691,957	-	2,513,496	16,537,759
Financial Liabilities:							
Policy holders liabilities							
-Insurance contracts	10,444,102	120,024	583,693	9,678,901	-	61,483	10,444,102
Related party balances	15,869	15,869	-	-	-	-	15,869
Insurance and other payables	389,561	389,561	-	-	-	-	389,561
Total undiscounted liabilities	10,849,532	525,454	583,693	9,678,901	-	61,483	10,849,532

Maturity analysis of financial assets and financial liabilities:
The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable:

2018							
Financial Assets:							
Long term reinsurance assets	6,350	6,350	-	-	-	-	6,350
Investment in unlisted property companies	294,132	-	-	-	-	294,132	294,132
Bonds (Government, public authority, listed & unlisted corporates)	8,031,912	309,084	313,642	10,656,826	-	-	11,279,552
Equity investments	3,415,317	-	-	-	-	3,415,317	3,415,317
Money market instruments	1,204,818	1,204,818	-	-	-	-	1,204,818
Other loan advances	393,951	213,925	220,848	-	-	-	434,773
Loans at amortised cost	50,000	6,000	27,729	54,616	-	-	88,345
Insurance and other receivables	304,585	304,585	-	-	-	-	304,585
Cash, deposits and similar securities	112,844	112,844	-	-	-	-	112,844
Total undiscounted assets	13,813,909	2,157,606	562,219	10,711,442	-	3,709,449	17,140,716
Financial Liabilities:							
Policy holders liabilities							
-Insurance contracts	9,859,345	140,667	553,584	9,101,921	-	63,173	9,859,345
-Investment contracts	2,661,843	-	-	-	2,661,843	-	2,661,843
Related party balances	17,632	17,632	-	-	-	-	17,632
Insurance and other payables	393,813	393,813	-	-	-	-	393,813
Total undiscounted liabilities	12,932,633	552,112	553,584	9,101,921	2,661,843	63,173	12,932,633

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained through an actuarial modelling process.

Notes to the Financial Statements
(Continued)

24. RISK MANAGEMENT (CONTINUED)

24.8 Insurance risk
The principal risk the Group faces under non life insurance contracts is the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Group is to have sufficient reserves available to cover these liabilities.

The risk exposure is mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess -of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess of reinsurance vary by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon on a single reinsurance contract. Reinsurance is placed with reputable institutions.

25 FAIR VALUE DISCLOSURES

Determination of fair value and fair values hierarchy
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019:

	Fair value measurement using			
31 December 2019	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Non Financial Assets	**P'000**	**P'000**	**P'000**	**P'000**
Investment properties - Physical properties	-	-	121,615	121,615
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	729,294	729,294
Bonds	4,585,831	-	4,022,349	8,608,180
Government	4,585,831	-	-	4,585,831
Corporate bonds - Unlisted	-	-	4,022,349	4,022,349
Money market instruments	-	2,834,067	-	2,834,067
Equity investments	1,516,716	-	267,485	1,784,201
	6,102,547	2,834,067	5,140,743	14,077,357
Financial Liabilities				
External investors in consolidated funds	-	2,667,763	-	2,667,763
Derivatives Instrument	-	5,810	-	5,810
	-	2,667,763	-	2,667,763

Notes to the Financial Statements
(Continued)

25. FAIR VALUE DISCLOSURES (CONTINUED)

	Fair value measurement using			
31 December 2018	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Non Financial Assets	**P'000**	**P'000**	**P'000**	**P'000**
Investment properties - Physical properties	-	-	117,344	117,344
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	294,132	294,132
Bonds	4,401,788	-	3,630,124	8,031,912
Government	4,401,788	-	62,147	4,463,935
Corporate bonds - Unlisted	-	-	3,567,977	3,567,977
Money market instruments	-	1,204,818	-	1,204,818
Equity investments	2,529,758	-	885,559	3,415,317
Other loan advances	-	-	393,951	393,951
	6,931,546	1,204,818	5,321,110	13,457,474
Financial Liabilities				
Investment contract liabilities	-	2,661,843	-	2,661,843
	-	2,661,843	-	2,661,843
Non-current asset held for sale- money market instruments	-	38,659	-	38,659

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group, and those prices represent actual and regularly occurring market transactions on an arms length basis. The quoted market price used for financial assets held by the group is the last trading price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) are determined by using valuation techniques to 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.

Level 2
Money Market instruments - Refer to note 4.1 for interest rates. Also refer to Accounting policy note on Fair value and as per valuation techniques table on the next page
External investors in consolidated funds- Refer to Accounting policy note on fair values and as per valuation techniques table on the next page.
Policyholder liabilities under insurance contracts - Refer to Accounting policy note on fair values and as per valuation techniques table on the next page

Level 3 valuation
Investment Properties- Refer to note 4.4 on how fair value is determined.
Unlisted Bonds - Refer to note 4.1 on how the fair value is determined.
Policy loans and other loan advances- Refer to note 4.3 on how the fair valuation is determined.
Equity investments - The fair value of the assets are calculated based on units held and unit prices provided by the Fund Managers.

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

Notes to the Financial Statements
(Continued)

25. FAIR VALUE DISCLOSURES (CONTINUED)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

Group Level 3 Financial Assets	Investment in physical properties	Investment in unlisted property companies	Equity investments	Policy loans	Other loan advances	Bonds	Total Assets
			P'000	P'000	P'000	P'000	P'000
31 December 2019							
Opening balance	117,344	294,132	879,840	-	393,951	3,630,124	5,315,391
Total gains/(loss) in comprehensive income	4,271	3,344	(9,521)	-	15,160	194,777	208,031
Acquisitions	-	431,817	-	-	-	482,724	914,541
Disposals	-	-	(602,834)	-	(409,111)	(285,277)	(1,297,221)
Closing balance	121,615	729,293	267,485	-	-	4,022,349	5,140,742
31 December 2018							
Opening balance	112,101	244,021	731,362	8,835	487,394	3,837,545	5,421,258
Adjusted due to IFRS 13	-	-	-	-	-	-	-
Total gains/(loss) in comprehensive income	5,243	50,111	148,478	-	10,609	66,350	280,791
Reclassification to amortised cost	-	-	-	-	(50,000)	-	(50,000)
Acquisitions	-	-	-	-	-	41,422	41,422
Issues	-	-	-	-	-	-	-
Disposals		-	-	-	-	(315,193)	(315,193)
Settlements/ Repayments	-	-	-	(8,835)	(54,052)	-	(62,887)
Closing balance	117,344	294,132	879,840	-	393,951	3,630,124	5,315,391

Gains and losses (realised and unrealised) included in profit or loss **Group**	2019 P'000	2018 P'000
Total gains or losses included in profit or loss for the period	208,031	280,791
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	90,563	(16,197)

There were no transfers from level 1 to level 2 fair value measurements during the year ended 31 December 2019 (31 December 2018: NIL).

Notes to the Financial Statements
(Continued)

25. FAIR VALUE DISCLOSURES (CONTINUED)

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Significant observable inputs	Significant unobservable inputs
Investment in physical properties	3	Discounted cashflow model (DCF)	Consumer Price Index	Estimated cashflows plus capitalization rate and vacancy rates (Refer to note 4.4)
Investment in unlisted property companies	3	Net Asset value of underlying assets derived using the Discounted cashflow model (DCF)	Market Price for underlying properties	Discount rate and estimated cash flows
Money Markets	2	Discounted cashflow model (DCF)	Unit price	Discount rate and cashflow
Equity investments (unlisted)	3	Net fair value of underlying assets, Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate and cashflow
Unit funds (unlisted)	3	Discounted cashflow model (DCF), Earnings multiple	Cashflow plus risk adjusted rate	Cost of capital and earnings multiple
Policy loans	3	Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate and cashflow (Refer to note 4.3)
Other loans	3	Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate and cashflows (Refer to note 4.3)
Unlisted bonds	3	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate and cashflows(Refer to note 4.1)
External investors in consolidated funds	2	Net fair value of related assets	Unit price	Net fair value of related assets
Derivative instrument Foreign Exchange Swap transaction	2	Current unit price multiplied by the number of units held of the assets to be swapped	Unit price	

Notes to the Financial Statements
(Continued)

25 FAIR VALUE DISCLOSURES (CONTINUED)

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

Group Financial assets:	Carrying amount P'000	Effect of a 10% increase in estimated cashflows P'000	Effect of a 10% decrease in estimated cashflows P'000	Effect of a 1% increase in capitalisation rate P'000	Effect of a 1% decrease in capitalisation rate P'000
2019					
Investment in physical properties	121,615	9,486	(9,486)	(9,729)	9,729
Investment in unlisted property companies	729,294	56,885	(56,885)	(58,344)	58,344
Group **2018**					
Investment in physical properties	117,344	9,153	(9,153)	(9,388)	9,388
Investment in unlisted property companies	294,132	22,942	(22,942)	(23,531)	23,531

Group 2019	Carrying amount P'000	Effect of a 10% increase in estimated cashflows P'000	Effect of a 10% decrease in estimated cashflows P'000	Effect of a 1% increase in capitalisation rate P'000	Effect of a 1% decrease in capitalisation rate P'000
Bonds	4,022,349	(313,743)	313,743	(62,749)	62,749
Total	4,022,349	(313,743)	313,743	(62,749)	62,749

Group 2018	Carrying amount P'000	Effec of a 10% increase in estimated cashflows P'000	Effect of a 10% decrease in estimated cashflows P'000	Effect of a 2% increase in discount rate P'000	Effect of a 2% decrease in discount rate P'000
Other loan advances	393,951	10,860	(10,860)	(6,146)	6,146
Bonds	3,630,124	224,277	(224,277)	(56,630)	56,630
Total	4,024,075	235,137	(235,137)	(62,776)	62,776

Group 2019	Carrying amount P'000	Effect of a 2% increase in unit price P'000	Effect of a 2% decrease in unit price P'000
Equity investments	267,485	4,173	(4,173)
Group **2018**			
Equity investments	885,559	13,815	(13,815)

Notes to the Financial Statements
(Continued)

25 FAIR VALUE DISCLOSURES (CONTINUED)

Investment Policy

The BIHL Group through its asset management company, Botswana Insurance Fund Management Limited (BIFM) that is a traditional investment manager, manages a comprehensive range of distinct asset classes, each against an appropriate benchmark that acts as the neutral position. BIFM is an active investment manager who implement positions that deviate from the benchmark within predetermined constraints. BIFM aims to capture and create value from long-term relative valuation differences, both between asset classes and within an asset class between individual securities.

BIFM implements a value-style bias that complements its investment philosophy. BIFM is of the view that pockets of inefficiency exist in capital markets. This presents opportunities to purchase undervalued securities and hold them until their market value equals or exceeds their intrinsic value. BIFM aims to realize these relative value anomalies over the long term and avoid short term fluctuations or market noise.

BIFM combines investment strategies with the aim of delivering superior investment returns given a level of risk over the long term (3 years and more). For local equity security selection, BIFM uses a bottom-up approach. The bottom-up approach is research intensive and focuses on individual companies as a starting point. Companies, sectors and geographic regions not covered by a portfolio manager's universe may be neglected.

To compensate, BIFM also applies a top-down decision-making process to implement tactical positions. The top-down approach utilises macro-economic data, relative asset class valuations, market sector valuations and the prospects of geographical regions.

BIFM adopts fundamental analysis to place a fair value on individual securities and to identify mispriced securities with upside potential. Fundamental analysis is a primary function and of high importance as it guides us on security-selection.

When selecting offshore managers, BIFM appoints managers with differing styles and approaches. The rationale for using the different styles reflects our appreciation of the fact that style diversification is a risk-management tool as well as a way of taking advantage of the anomalies that could be identified by each style.

Equity - BIFM invests for the long-term, 3 to 5 year period, to maximise returns at the lowest possible risk. Bottom-up stock-picking and fundamental stock analysis coupled with a value-style bias, are used for portfolio construction.

Fixed Income – The approach used for long dated bonds and short-dated money-market instruments differs:

(a) Long-dated Bonds - BIFM believes that value can be created through active duration management, taking into account macro-economic factors such as inflation and interest rates. This reflects a top-down approach for the management of bonds, which is applied both locally and offshore. BIFM utilises fixed and floating instruments as different assets to match different liabilities, to benefit from the shape of the yield curve, and as a tool to manage duration.

(b) Cash and money market: BIFM manages cash and short-dated money-market instruments primarily for liquidity purposes. BIFM minimises credit risk by investing with reputable banks. BIFM negotiates to get high interest rates on behalf of its clients.

Property - Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of BIFM's drive to develop the local economy and capital markets. BIFM's subsidiary, Khumo Property Asset Management, is a fully-fledged property development and management company.

Alternative investments – The alternative assets that BIFM invests in are private equity, private debt, and hedge funds. Alternatives are utilised where the risk-reward trade-off is believed to be superior. Examples are:

(a) Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. BIFM invests in local, regional and global private equity funds.

(b) Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana.

(c) Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

On the 11th of October 2019, BIFM transferred the Pooled funds to newly formed and registered CIU Trusts, effectively moving all thrid party investments off the Bifm balance sheet and retaining the investments and units directly owned by Bifm. The CIU funds are now consolidated in the Group's financials where the Group has invested more than 20% and a corresponding liability to the investors is reflected in note 8 and the assets are included as part of note 4.

Notes to the Financial Statements
(Continued)

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below summarises categories of financial assets and financial liabilities held by the Group:

GROUP

31 December 2019	Financial assets held at fair value through profit or loss	Financial Assets at amortised cost	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Financial assets					P'000
Investment in unlisted property companies	729,293	-	-	-	729,293
Bonds (Government, public authority, listed and unlisted corporates)	8,608,179	-	-	-	8,608,179
Money market instruments	2,834,067	-	-	-	2,834,067
Equity investments	1,784,202	-	-	-	1,784,202
Insurance and other receivables	-	247,033	-	-	247,033
Cash, deposits and similar securities	-	162,095	-	-	162,095
Loans at amortised cost	-	50,000	-	-	50,000
Total financial assets	13,955,741	459,128	-	-	14,414,869
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	10,444,102	-	10,444,102
Derivatives instrument	-	-	5,810	-	5,810
Related party balances	-	-	-	15,869	15,869
Insurance and other payables	-	-	-	389,561	389,561
Total financial liabilities	-	-	10,449,912	405,430	10,855,342

31 December 2018					
Financial assets					
Investment in unlisted property companies	294,132	-	-	-	294,132
Bonds (Government, public authority, listed and unlisted corporates)	8,031,912	-	-	-	8,031,912
Money market instruments	1,204,818	-	-	-	1,204,818
Equity investments	3,415,317	-	-	-	3,415,317
Policy loans and other loan advances	393,951	-	-	-	393,951
Insurance and other receivables	-	304,585	-	-	304,585
Cash, deposits and similar securities	-	112,844	-	-	112,844
Loans at amortised cost	-	50,000	-	-	50,000
Total financial assets	13,340,130	467,429	-	-	13,807,559
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	9,859,345	-	9,859,345
Long term policyholder liability - investment contracts	-	-	2,661,843	-	2,661,843
Related party payables	-	-	-	17,632	17,632
Insurance and other payables	-	-	-	393,813	393,813
Total financial liabilities	-	-	12,521,188	411,445	12,932,633

Notes to the Financial Statements
(Continued)

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

COMPANY

31 December 2019	Financial assets held at fair value through profit or loss	Financial Assets at amortised cost	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Financial assets					P'000
Other receivables	-	23,001	-	-	23,001
Related party balances	-	777	-	-	777
Cash, deposits and similar securities	-	73,999	-	-	73,999
Total financial assets	-	97,777	-	-	97,777
Financial liabilities					
Trade and other payables	-	-	-	22,956	22,956
Related party payables	-	-	-	15,445	15,445
Total financial liabilities	-	-	-	38,401	38,401

31 December 2018					
Financial assets					
Other receivables	-	656	-	-	656
Related party balances	-	41,878	-	-	41,878
Cash, deposits and similar securities	-	63,504	-	-	63,504
Total financial assets	-	106,038	-	-	106,038
Financial liabilities					
Trade and other payables	-	-	-	23,295	23,295
Related party payables	-	-	-	26,152	26,152
Total financial liabilities	-	-	-	49,447	49,447

27. BIFM CITIZEN ECONOMIC EMPOWERMENT SCHEME

BIHL an employee share scheme for the benefit of the employees of BIFM through the establishment of a Trust registered as a Deed of Trust signed on 18 December 2017 and Share Plan Scheme signed on 18 December 2017. A total 21,849,246 BIFM Shares, comprising 25.1% of the issued capital, have been reserved for the Share Scheme, which will be new shares issued by BIFM. The Fair Value of such shares has been determined by an independent external valuation exercise. Of the 15.1% of the Ordinary Shares issued by BIFM that was to be subscribed by its citizen employees under the Share Plan Scheme. 11% was allocated effective 1 February 2018 and the remaining 4% balance of the shares was transferred to the Trust for future allocation.

The Trust was established for purposes of subscribing for 8,739,698 Ordinary Shares, representing 10.1% of the issued share capital in BIFM, to be held for the benefit of the citizen employees of BIFM.

Notes to the Financial Statements
(Continued)

28. EVENTS AFTER REPORTING PERIOD

28.1 Dividends declared
There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto. The Directors have resolved to award a final dividend of 59 thebe (2018: 67 thebe) per share (net of tax) and a special dividend of 11 thebe (2018: 16 thebe) per share (net of tax).

28.2 Corona Virus (Covid 19) Outbreak
At the beginning of 2020 financial year a deadly virus identified as the Corona or COVID-19 was identified in China. The pace at which the virus has spread, the resultant loss of human life as well as the disruption of economic activities across the globe, has prompted management to address the virus and its potential impact up to and including the approval date of these financial statements.

The first instance of Covid-19 was reported in November 2019 but was not recognised globally. On 31 December 2019, the World Health Organization was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, Hubei. On 7 January 2020, Chinese authorities identified a new type of corona virus as the cause. The World Health Organisation officially declared the outbreak a global pandemic on 11th March 2020 as it had been spreading rapidly in different parts of the world. Several countries moved fast to implement draconian measures ranging from total country lockdowns and travel bans from affected countries. The humanitarian costs of the outbreak continue to increase and the epicenter of the outbreak shifted from China to Europe and then USA.

The deepening of the Covid-19 virus crisis has caused widespread panic in global markets. While economic forecasts have been revised down to reflect the crisis, the full extent of the growing pandemic has not yet been factored in, with several market participants re-assessing their initial stances and further shaving off global growth expectations. There is a real likelihood that growth could turn negative across major economies, leading to a global recession and resulting in an equity bear market.

Management has reviewed Group's exposure to the effects of a possible global recession on the Group's results, financial position and cashflows and concluded that whilst there is already a direct impact on certain sectors such as hospitality, discretionary retail and offline entertainment, the extent, timing and duration of the impact cannot yet be forecasted or quantified. However, the assessment done on the life business revealed that the following areas will be impacted:

a) Sales will be lower as intermediaries will not be able to sell insurance products.
b) Claims (especially funeral and death) will be higher if the virus was to spread to Botswana.
c) Expenses will increase due to the intervention management put in place to deal with the preparedness to deal with the pandemic leading to low profitability
d) Increased arrears, lapses and surrenders due to the inability of clients to service their policies as a result of loss of jobs
e) Negative impact to cashflows due to the inability to collect from clients and corporates

These post balance sheet events are non-adjusting but will potentially result in an impact on the results and cashflows of the 2020 financial year. Even though the impact cannot be quantified now, Management has done a risk assessment and considered the likely impact of Covid-19 and has put in place appropriate measures to mitigate the risks.

Notice of Annual General Meeting

Notice is hereby given that the twenty-eighth Annual General Meeting of Botswana Insurance Holdings Limited will be held at Avani Conference Centre, Gaborone Botswana on 26 June 2020 at 16:00hrs for the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting.

2. Ordinary Resolution 1: Presenting the BIHL Annual Financial Statements
To present, consider and adopt the BIHL Annual Financial Statements for the year ended 31 December 2019, that have been distributed to shareholders as required, including the consolidated audited financial statements for the Company and its subsidiaries, as well as the auditors' and directors' reports.

3. Ordinary Resolution 2: Approval of dividends
To approve the dividends declared by the Directors on 14 August 2019 and 4 March 2020.

4. Ordinary Resolution 3: Re-election of directors
To re-elect Directors in accordance with the provisions of the Constitution of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:

a) B P Dambe- Groth
b) C Chauhan
c) M Mpugwa

Ordinary Resolution No 3.1 – Re-election of B Dambe-Groth as a Director

To re-elect B Dambe-Groth who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Batsho Dambe-Groth (55)
Independent Non-executive Director since 25 March 2008

Qualifications: BSc (Hons) Occupational Psychology from the University of Wales Institute of Science and Technology. Fellow of the USA Fulbright Humphrey Programme. Certified Global Remuneration Professional from the World at Work professional compensation body.

BIHL Committee membership: Human Resources and Nominations Committees

BIHL Group directorships: BIHL Insurance Company Limited t/a Legal Guard

Major external positions, directorships or associations: Managing Director: Resource Logic; Director: Botswana Oil, Botswana Craft Marketing and Council Member of Maru A Pula School.

Field of expertise: Human resources and general business

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.2 – Re-election of C Chauhan as a Director

To re-elect C Chauhan who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Chandra Chauhan (58)
Independent Non-Executive Director since 20 April 2009

Qualifications: B. Acc. (Hons) from the University of Zimbabwe, ACA (England and Wales) ACA (BICA)

BIHL Committee membership: Audit and Risk, Independent Review and Nominations Committees

BIHL Group directorships: Botswana Insurance Fund Management Limited

Major external positions, directorships or associations: Managing Director of Sefalana Holdings Company Limited

Field of expertise: Accounting, General Business and Financial Management

Notice of Annual General Meeting

for the year ended 31 December 2019

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.3 – Re-election of M Mpugwa as a Director

To re-elect M Mpugwa who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Mahube Mpugwa (53)
Non-Executive Director since 1 June 2010

Qualifications: BA (Hons) degree (University of Windsor, Canada), a certificate in Business Leadership (University of South Africa), MBA (Stratchclyde University's Graduate School of Business)

BIHL Committee membership: Human Resources , BIFM Board , BIDM Investment Committee ,

BIHL Group directorships: Botswana Insurance Fund Management Limited; BIFM Unit Trusts; Bifm Holdings Company Limited,

Major external positions, directorships or associations Executive Director at Director at Puma Energy Botswana; Master Timber (Pty) Ltd, Woolworths Botswana .

Field of expertise: General Business

The Board recommends the re-election of this Director.

5. Ordinary Resolution 4:
To note the total amount of Non-Executive Directors and Executive Directors' remuneration for the financial year ended 31 December 2019.

To note the total amount of Directors' remuneration set out in the BIHL Annual Report, Non-Executive Directors' page 95 and Executive Director's page 193 for the financial year ended 31 December 2019.

2019 Approved directors fees

Boards	Retainer	Board meeting	Audit & Risk Committee	HR Committee	Subsidiary	Nominations Committee	Lead Independent Director	Investment Committee	Credit Committee	Total
B Dambe-Groth	-	475 000	n/a	-	-	-	-	-	-	475 000
C Chauhan	65 000	161 470	126 404	n/a	125 000	68 250	68 250	-	-	614 374
J Hinchliffe	65 000	161 470	126 404	n/a	218 025	n/a	-	-	-	570 899
M Mpugwa	65 000	161 470	n/a	n/a	100 000	n/a	-	107 276	143 076	576 822
Lt General Masire	65 000	161 470	n/a	n/a	n/a	n/a	-	-	-	226 470
A Roux	65 000	161 470	n/a	n/a	100 000	n/a	-	143 076	107 276	576 822
G Hassam	65 000	161 470	n/a	56 700	100 000	-	-	-	-	383 170
G van Heerde	65 000	142 176	287 644	56 700	100 000	n/a	-	-	-	651 520
Total	455 000	1 585 996	540 452	113 400	743 025	136 500	68 250	250 352	250 352	4 075 077

Notice of Annual General Meeting

(Continued)

6. Ordinary Resolution 5:
To approve the remuneration of the auditors for the year ended 31 December 2019.

7. Ordinary Resolution 6: Re-appointment of auditors
To re-appoint Ernst & Young, as nominated by the Company's Audit and Risk Committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company.

VOTING AND PROXIES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a member of the Company.
2. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the Board

Haig Ndzinge
Company Secretary

A shareholder/s is entitled to attend and vote at this Annual General Meeting is/are entitled to appoint one or more proxies (who need not to be shareholders of the company), to attend, speak and vote on behalf of the shareholder/s at the Annual General Meeting.

Proxy Form

To be completed by certificated shareholders with "own name" registration
For use at the Annual General Meeting to be held at 16:00hrs on 26 June 2020 at Avani Gaborone Hotel, Conference Centre, Botswana

I/We _____ being a shareholder/s of Botswana Insurance Holdings Limited, holding _____ number of shares hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Avani Gaborone Hotel, Conference Centre, on 26 June 2020, at 16:00hrs, and at any adjournment thereof for the purpose of voting:

		For	Against	Abstain
1.	**Ordinary resolution number 1** - to receive, approve and adopt the annual financial statements for the year ended 31 December 2019			
2.	**Ordinary resolution number 2** - to approve the dividends declared by the Directors on 14 August 2019 and 4 March 2020			
3.	**Ordinary resolution number 3** - To re-elect Directors in accordance with the provisions of the Constitution of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:			
	3.1. Mrs. Batsho Dambe-Groth			
	3.2. Mr. Chandra Chauhan			
	3.3. Mr. Mahube Mpugwa			
5.	**Ordinary resolution number 4** - To note the total amount of Non-Executive Directors and Executive Director's remuneration for the financial year ended 31 December 2019			
6.	**Ordinary resolution number 5** - to approve the remuneration of the auditors for the year ended 31 December 2019			
7.	**Ordinary resolution number 6** - to appoint auditors for the coming year to 31 December 2020			

Signed at _____on the _____day of 2020

Signature_____

Notes to Proxy Form

Receiving and adoption of the Annual Financial Statements together with the reports of the Statutory Actuary and the Auditors

The Directors have to present to members at the Annual General Meeting the annual financial statements, incorporating the report of the financial director for the period ended 31 December 2019, together with the reports of the valuator and the auditors contained in this Annual Report.

Election of Directors

In terms of the Company's Constitution, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. The Constitution also provides that the appointment of any person as a director of the Company requires confirmation by shareholders at the first annual general meeting of the company after the appointment of such person as director.

Shareholders' Calendar Reporting	
Financial year end	31 December
Announcement of financial year end 31 December 2019 results	11 March 2020
Annual report sent on or about	29 May 2020
Annual General Meeting	26 June 2020
Interim results published	2 September 2020

Dividends

2019 Final dividend payment	24 April 2020

Notes to form of proxy

1. A shareholder may insert the name of a proxy or names of two alternate proxies with or without deleting "the Chairman of the General Meeting," such a deletion must be initialled by the shareholder. The person, whose names appears first on the form of proxy and has not been deleted, will be entitled to act as a proxy to the exclusion of those whose names appear below his/hers.

2. A shareholder's instructions to the proxy must be indicated by the insertion of a cross or a tick or the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, but the total of the votes cast and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the shareholder or his proxy.

3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Office Park Plot 50371, Gaborone e or PO Box 336, Gaborone Botswana, or faxed +267 397 3657 for the attention of the company secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the Annual General Meeting (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.

6. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the shareholder concerned wishes to vote.

7. An instrument of proxy shall be valid for the Annual General Meeting as well as any adjournment thereof, unless the contrary is stated thereon.

8. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

9. At a meeting of shareholders a poll may be demanded by:
   (a) not less than five (5) shareholders having the right to vote at the meeting; or
   (b) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting; or
   (c) a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10% of the total amount paid up on all shares that confer that right; or
   (d) the chairperson.

When a poll is taken, votes shall be counted according to votes attached to the shares of each shareholder present in person or by proxy and voting.

BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED