BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

2016 INTEGRATED ANNUAL REPORT

Bifm Botswana Life LEGAL GUARD

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Dear BIHL friends and family,

On behalf of the Board of BIHL Group, our management and the incredible team that gives us our Strength in Numbers, it is a privilege and an honour to present to you the 2016 Annual Report of BIHL Group.

As I perused the first draft of this very document, a process of development that I always marvel at, I was drawn - more so than ever before - to just how powerful the narrative of this incredible Group, this family of businesses, is.

Each year that we develop this Annual Report, we begin a journey of documentation and analysis that has us evaluate ourselves as an organisation. Though largely based on our financial performance and shareholder returns, we are acutely aware that our business is much, much more than that. I believe this Annual Report reflects this. It is about building better communities; providing strength, security and a strong legacy for our customers; and bringing to life the vision of a leading, fully-fledged financial services organisation. We aim to play a central role in the future of our nation, of her development and growth, and the prosperity of her people.

The last forty-one years have seen the transformation of our business and our people – staff, customers, shareholders and partners - from a single entity to what is now Botswana's largest financial services Group. It has not always been smooth sailing, nor has it always been an easy task. What we have always been able to lean and count on, however, is a fierce determination and courage of conviction, coupled with resoundingly strong strategic direction and leadership.

Our purpose was, and remains, clear. In the pages that follow, you will see just that. On behalf of the entire BIHL Group family, we thank you for journeying with us thus far, and look forward to the road ahead together.

Corporate Information

ADMINISTRATION

Botswana Insurance Holdings Limited
Incorporated in Botswana
Company Registration number 90/1818

Registered Office
Plot 66458
PO Box 336,
Gaborone
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

Auditors
Ernst & Young
2nd Floor Letshego Place
Khama Crescent
PO Box 41015
Gaborone

Company Secretary
Haig Ndzinge

Statutory Actuary
Giles T. Waugh

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

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

Botswana Insurance Fund Management Limited
Block A: Fairgrounds Office Park
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Tel: +267 3951 564; Fax: +267 3900 358
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BIHL Insurance Company Limited (Legal Guard)
Block D: Fairgrounds Office Park
PO Box 405744
Gaborone
Tel: +267 363 4700
Fax: +267 390 7353
www.legalguard.co.bw

ABOUT THIS REPORT

At BIHL we value the key principles of business and corporate citizenry that can spell the difference between playing a valued and integral role in one's nation, and simply existing to sell.

Our ambition is and has always been to add value, guided by our conviction in the need for transparency, good governance and innovation.

As you read this Annual Report, we hope that you will see these principles articulated and proven. We hope you enjoy reading our growing BIHL Group narrative as much as we appreciate the role that you, as a friend of BIHL, play in it.

RESULTS AT A GLANCE

Financial Highlights

Operating Profit

-14%

to P333 million

Dec 15 = P385.9 million

Embedded Value

+4%

to P4.3 billion

Dec 15 = P4.2 billion (Restated)

Value of New Business

-1%

to P161.6 million

Dec 15 = P163.4 million

Assets Under Management

+24%

to P25.9 billion

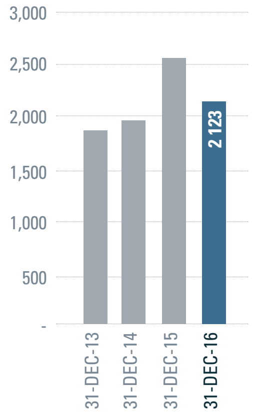
Dec 15 = P20.9 billion

	31-Dec-16 P mil	(Restated) 31-Dec-15 P mil	% Change
GROUP SUMMARY			
Premium income (net of reinsurance)	2,123	2,487	-15%
Value of new business	162	163	-1%
Operating profit	333	386	-14%
Total profit	475	588	-19%
Assets Under Management	25,900	20,900	24%
Ordinary shareholders' equity	2,917	2,913	0%
Total assets	14,391	14,341	0%
Embedded value	4,339	4,157	4%
PRODUCTIVITY			
Operating expenses to premium income and asset management fees	16%	13%	
Selling expenses to premium income	15%	13%	
Return on embedded value	15%	17%	
SOLVENCY AND LIQUIDITY			
Capital adequacy cover (times) - Life business	6.60	8.6	
Dividend cover on core earnings** (times)	1.09	1.49	
ORDINARY SHARE PERFORMANCE			
Basic earnings thebe per share	173	214	-19%
Diluted earnings thebe per share	171	211	-19%
Dividend thebe per share: - interim	55	55	0%
- final proposed- Normal	67	67	0%
Embedded value thebe per share	1,554	1,522	0%
Trading prices (thebe per share)			
closing price	1,755	1520	15%
high	1,755	1520	15%
low	1,755	1151	52%
Price earnings ratio	10.12	6.98	45%
Domestic Companies Index (DCI)	9,400.71	10,602.32	-11%
Number of shares in issue ('000)	281,071	281,071	0%
Number of shares traded ('000)	9,626	9,626	0%
Market capitalisation (P million)	4,933	4,272	15%
Number of shareowners	2,903	2,876	1%
Earnings yield (%)	9.88	16.30	-39%
Dividend yield (%)	6.95	8.02	-14%

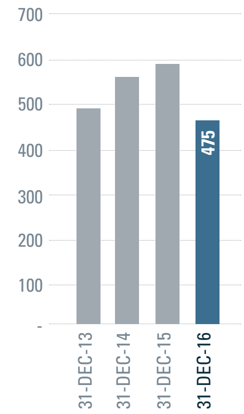
** Core earnings include operating profit and shareholder investment income

RESULTS AT A GLANCE

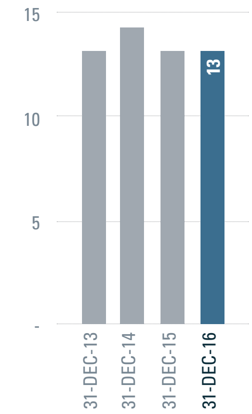
Premium Income
(Pmil) 2 123



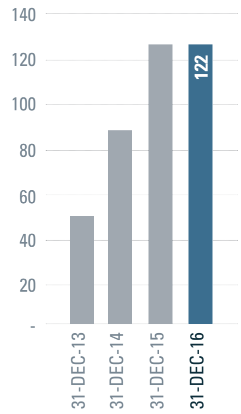
Profit After Tax
(Pmil) 475



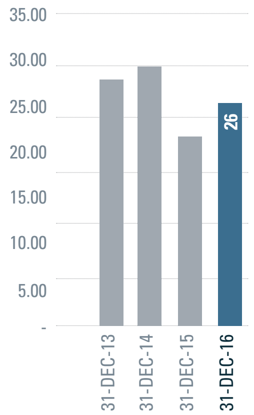
Investments
(Pbn) 13



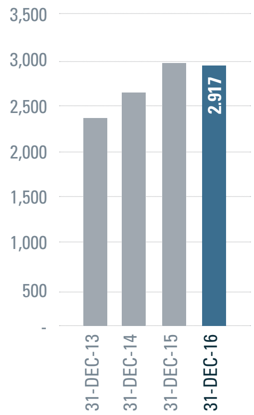
Dividend Per Share
(Thebe) 122



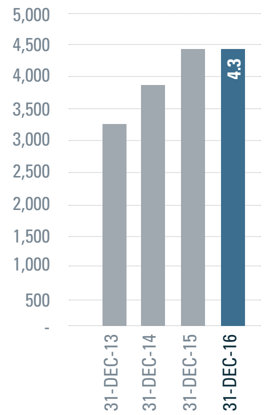
Assets Under Management
(Pbn) 26



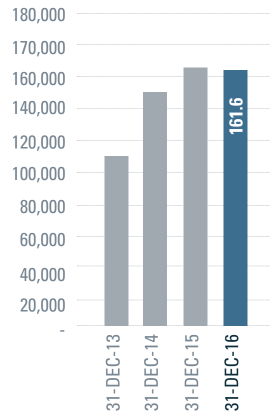
Shareholder's Equity
(Pmil) 2,917



Embedded Value
(Pbn) 4.3



Value of New Business
(Pm) 161.6



Assets Under Management **26**
billion Pula

Profit After Tax **475**
million Pula

TEN YEAR REVIEW

for the year ended 31 December 2016

	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000 (Restated)	Year to 31-Dec-14 P'000
GROUP CONSOLIDATED INCOME STATEMENT			
Continuing operations			
Net insurance premium income	2,122,963	2,487,265	1,986,683
- Recurring	1,160,195	1,078,940	970,724
- Single	962,768	1,408,325	1,015,959
Fee revenue	91,193	88,447	110,915
Fair value gains on investment properties	-	-	-
Investment income	752,757	684,327	972,569
(Loss)/Profit on sale of subsidiary	-	-	(15,878)
Net gains/(losses) from financial assets held at fair value through profit and loss and investment properties	(840,093)	1,095,286	(161,013)
Total revenue	2,126,820	4,355,325	2,893,276
Net insurance and investment contract benefits and claims	(1,122,594)	(3,173,983)	(1,944,801)
Policyholder benefits paid	(1,551,200)	(1,297,284)	(1,192,395)
Change in liabilities under investment contracts	676,641	(674,663)	(205,052)
Change in liabilities under insurance contracts	(248,035)	(1,202,036)	(547,354)
Expenses	(652,862)	(647,127)	(575,135)
Selling expenses	(315,232)	(323,517)	(258,899)
Administration expenses	(337,625)	(323,610)	(316,236)
Profit before share of profit of associates and joint ventures	351,369	534,215	373,340
Share of profit of associates and joint ventures	224,671	186,728	253,618
Profit before tax from continuing operations	576,040	721,943	626,958
Tax expense	(100,729)	(123,942)	(107,495)
Profit from continuing operations	475,311	587,001	519,463
Discontinued operations			
Loss after tax for the period from discontinued operations	-	-	(14,750)
Profit on sale of short-term insurance business	-	-	932
Loss for the year on discontinued operations	-	-	(13,818)
Profit for the year	475,311	587,001	505,646
Earnings per share (thebe)			
- basic	173	214	183
Gross dividends per share (thebe)	122	122	87
Weighted average number of shares in issue ('000)	277,152	273,310	273,046

Earnings Per Share 173 thebe

Gross Dividents Per Share 122 thebe

TEN YEAR REVIEW

for the year ended 31 December 2016

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	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000
Restated						
1,878,026	1,949,585	1,767,046	1,620,513	1,253,413	958,636	791,281
914,650	887,972	877,636	754,096	682,577	565,313	447,885
963,376	1,061,613	889,410	866,417	570,836	393,323	343,396
98,039	74,700	110,944	137,249	120,623	121,308	110,316
-	-		-	-	8,768	80,682
594,856	628,915	749,577	470,190	479,984	463,214	604,233
-	6,075	33,785	-	-	-	-
2,343,127	452,917	134,323	(180,785)	1,002,835	(2,006,255)	1,178,752
4,914,048	3,112,192	2,795,675	2,047,167	2,856,855	(454,329)	2,765,264
(3,995,068)	(2,314,707)	(1,935,869)	(1,182,594)	(2,178,646)	1,012,140	(1,907,843)
(1,054,527)	(904,175)	(907,459)	(712,524)	(524,344)	(418,695)	(343,149)
(1,719,987)	(383,646)	(400,986)	(132,674)	(850,960)	1,534,843	(1,038,206)
(1,220,554)	(1,026,885)	(627,424)	(337,396)	(803,342)	(104,008)	(526,488)
(524,857)	(508,636)	(465,265)	(534,852)	(447,815)	(332,115)	(257,737)
(244,410)	(219,165)	(219,687)	(297,649)	(245,028)	(165,735)	(118,067)
(280,447)	(289,471)	(245,578)	(237,203)	(202,787)	(166,380)	(139,670)
394,123	288,849	394,540	329,721	230,397	225,698	599,687
189,202	196,482	133,872	72,217	26,821	9,802	4,001
583,325	485,331	528,412	401,938	257,217	235,500	603,688
(84,621)	(90,936)	(57,083)	(69,456)	(19,544)	(14,037)	(49,867)
498,704	394,395	471,329	332,481	237,672	221,462	553,820
(3,931)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
494,773	394,395	471,329	332,481	237,672	221,462	553,820
183	146	174	122	87	77	206
50	35	66	66	77	56	56
269,779	268,110	265,812	263,979	261,967	262,567	259,519

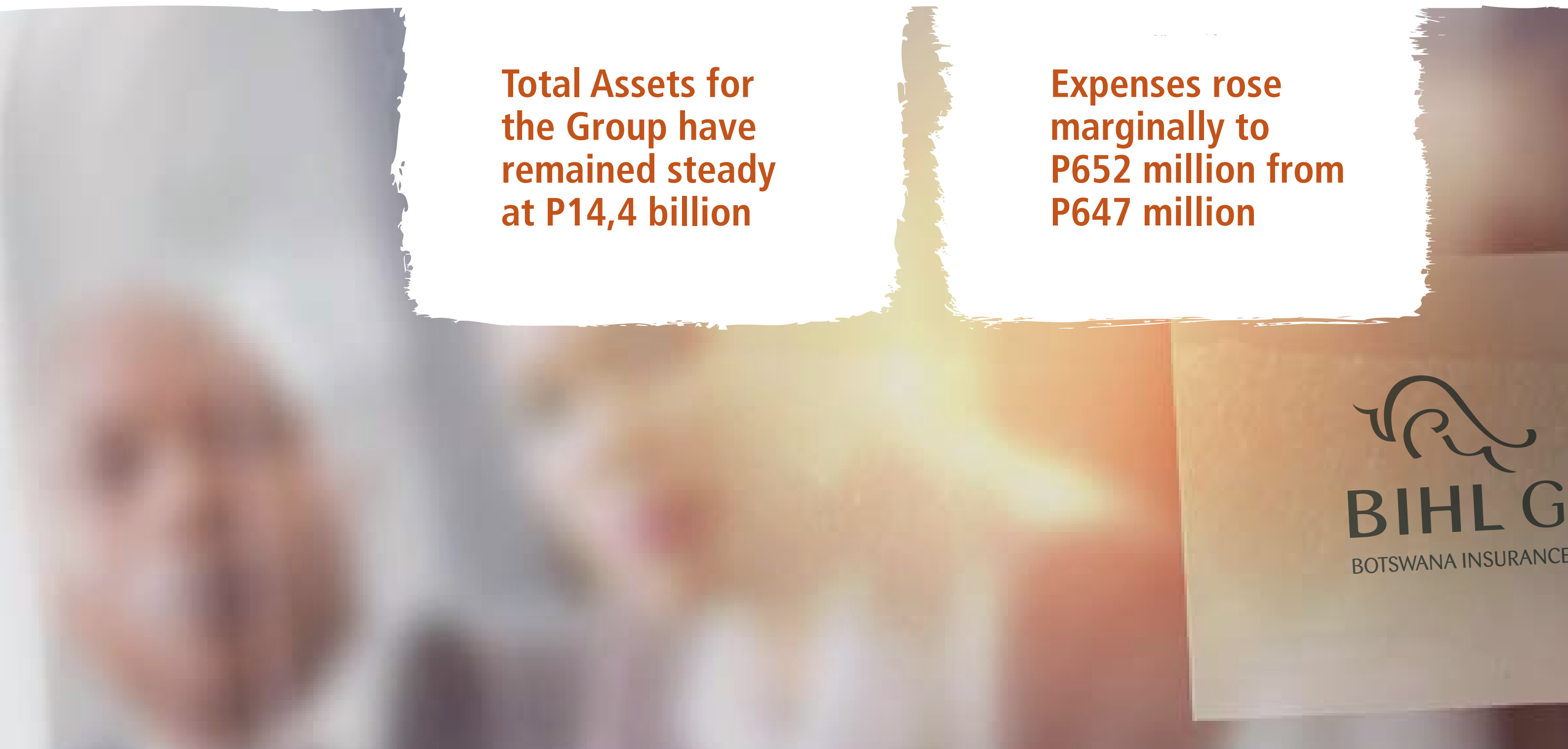
TEN YEAR REVIEW

for the year ended 31 December 2016

	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000 (Restated)	Year to 31-Dec-14 P'000
GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION for year ended 31 December 2016			
Property and equipment	156,006	155,504	20,138
Intangible assets	100,357	122,708	122,410
Investments	13,110,976	12,786,414	13,852,451
Trade and other recievables	204,225	220,964	201,522
Cash deposits and similar securities	819,280	1,055,086	658,468
Total Assets	14,390,844	14,340,676	14,854,989
Ordinary shareholders' equity	2,916,515	2,912,607	2,686,067
Non-controlling interests	20,583	18,474	18,569
Policyholder liabilities	10,956,497	10,933,114	11,641,698
- insurance contracts	8,800,323	8,555,332	7,350,937
- investment contracts	2,156,174	2,377,782	4,290,761
Deferred tax liability	17,620	18,360	33,209
Trade and other payables	479,629	458,121	475,446
Total equity and liabilities	14,390,844	14,340,676	14,854,989
GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 2016			
Cash generated from (utilised in) operating activities	1,168,158	(1,435,637)	290,693
Interest received	69,051	121,144	428,116
Tax paid	(115,657)	(139,786)	(54,004)
Dividends (paid)/received	(135,949)	(96,348)	(21,786)
Cash flow from operating activities	985,603	(1,550,627)	643,019
Cashflow (utilised in)/from investing activities	(1,221,409)	1,947,245	(565,225)
Net cash flows generated from/(utilised in) financing activities	-	-	-
Net (decrease)/increase in cash and cash equivalents	(235,806)	396,618	77,794
Cash and cash equivalents at the beginning of the year	1,055,086	658,468	580,674
Cash and cash equivalents at the end of the year	819,280	1,055,086	658,468

Total Assets for the Group have remained steady at P14,4 billion

Expenses rose marginally to P652 million from P647 million



TEN YEAR REVIEW

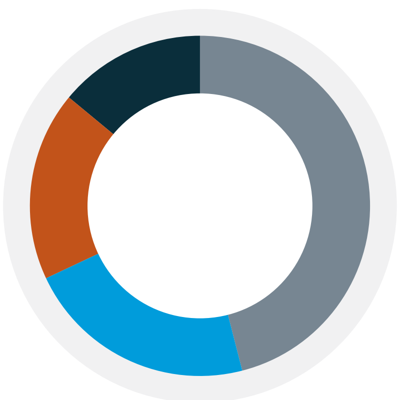
Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000
20,827	10,911	12,561	15,854	18,487	16,890	13,962
150,898	154,001	146,735	140,782	82,622	79,821	16,337
13,033,188	14,281,694	11,111,149	10,428,159	9,648,070	7,880,357	10,015,626
282,154	209,722	209,360	206,991	218,458	165,689	65,764
580,675	760,539	1,248,600	1,376,228	1,414,988	1,384,478	672,170
14,067,742	15,416,868	12,728,405	12,168,015	11,382,626	9,527,235	10,783,859
2,405,401	1,944,961	1,690,795	1,374,259	1,261,805	1,331,035	1,317,057
34,912	33,651	36,050	31,588	35,042	31,095	55,006
11,123,238	12,966,214	10,587,045	10,311,402	9,762,230	7,819,021	9,129,979
6,809,709	5,592,069	4,573,613	3,957,129	3,633,013	2,817,683	2,683,973
4,313,530	7,374,144	6,013,433	6,354,273	6,129,217	5,001,338	6,446,006
23,790	17,939	12,726	19,050	21,090	49,760	70,246
480,400	454,103	401,789	431,716	302,459	296,324	211,571
14,067,742	15,416,868	12,728,405	12,168,015	11,382,626	9,527,235	10,783,859
(4,427,312)	1,785,568	(85,378)	937,655	2,123,616	(1,109,328)	1,184,913
453,687	329,167	425,096	45,502	35,115	74,364	45,495
(94,206)	(106,695)	(69,253)	(59,179)	(40,263)	(46,656)	(44,276)
96,202	13,790	65,353	(205,307)	(240,246)	(157,220)	(152,840)
(3,971,629)	2,021,830	335,818	718,671	1,878,222	(1,238,840)	1,033,292
3,791,760	(2,509,890)	(463,446)	(757,432)	(1,847,712)	1,951,148	(616,320)
-	-	-	-	-	-	-
(179,870)	(488,061)	(127,628)	(38,761)	30,509	712,308	416,972
760,539	1,248,600	1,376,228	1,414,988	1,384,479	672,170	255,198
580,674	760,539	1,248,600	1,376,228	1,414,988	1,384,478	672,170

VALUE ADDED STATEMENT

for the year ended 31 December 2016

	2016 P'000	2015 P'000
VALUE ADDED		(Restated)
Income from operations	2,679,373	2,532,098
Operating expenditure	(652,862)	(647,127)
Policyholder benefits paid	(1,551,200)	(1,297,284)
	475,311	587,687
VALUE DISTRIBUTED		
To employees		
Salaries, wages and other benefits	161,229	169,316
To ordinary shareholders		
Dividends - Normal	342,906	399,120
To minority shareholders	1,199	2,627
To Government		
Taxation	100,729	133,941
To expansion and growth		
Reinvested in the business for future growth	(148,911)	(141,666)
Amortisation	9,270	9,153
Depreciation	8,190	8,190
Deferred taxation	699	7,006
	(130,752)	(117,317)
	475,311	587,687
Summary		
Employees	34%	28%
Shareholders	72%	67%
Government	21%	21%
Retained for expansion and growth	(27%)	(16%)
	100%	100%

Value Added Distribution 31 December 2016



Shareholders	46%
Employees	22%
Retained for expansion and growth	(18)%
Government	14%
Minority shareholders	0%

Value Added Distribution 31 December 2015

Shareholders	51%
Employees	21%
Retained for expansion and growth	(12)%
Government	16%
Minority shareholders	0%

SHARE ANALYSIS - ORDINARY SHARES

for the year ended 31 December 2016

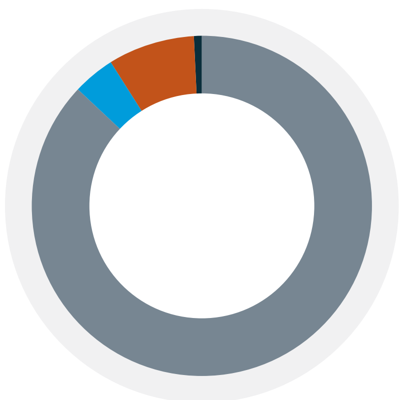
	SHAREHOLDERS		SHARES HELD	
	Number of holders	% of Shareholders	2016 Shares held	% of issued shares
1- 5,000	2,272	77.89%	2,143,874	0.76%
5,001-10,000	231	7.92%	1,604,592	0.57%
10,001- 50,000	271	9.29%	5,835,244	2.08%
50,001-100,000	45	1.54%	3,288,244	1.17%
100,001- 500,000	71	2.43%	15,612,179	5.55%
500,001 - 1,000,000	12	0.41%	7,611,038	2.71%
OVER 1,000,000	15	0.51%	244,975,481	87.16%
Total	2,917	100.00%	281,070,652	100.00%

Top ten shareholders

SCBN (PTY) LTD RE: SANLAM BW0000016225	116,388,211	41.41%
AFRICAN LIFE ASSURANCE COMPANY (BOTSWANA)(PTY) LTD	48,603,380	17.29%
FNB NOMINEES (PTY) LTD RE:AGRAY BPOPF 10001010	15,094,703	5.37%
MOTOR VEHICLE ACCIDENT FUND	10,735,164	3.82%
BOTSWANA PUBLIC OFFICERS PENSION FUND	10,682,181	3.80%
FNB BW NOMS (PTY) LTD RE: IAM BPOPFP 10001031	7,700,826	2.74%
FNB BOTSWANA NOMINEES (PTY) LTD RE: BIFM BPOPF-EQU	7,562,755	2.69%
FNB BOTSWANA NOMINEES (PTY) LTD RE: AA BPOPF EQUITY	7,322,815	2.61%
BOTSWANA INSURANCE FUND MANAGEMENT	6,610,581	2.35%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ACB BPOPF WPPP	4,888,071	1.74%
OTHERS	45,481,965	16.18%
	281,070,652	100.00%

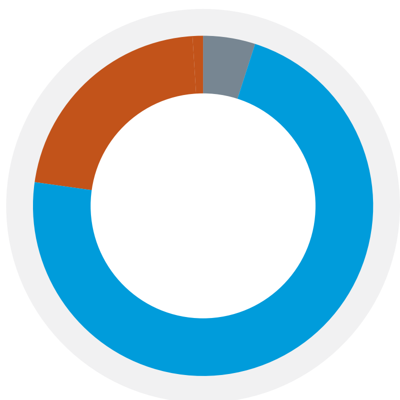
Category	Shareholders Number	%	Shares held Number	%
Corporate bodies	235	8.06%	61,733,573	21.96%
Nominees companies	105	3.60%	204,438,370	72.74%
Trust accounts	8	0.27%	590,030	0.21%
Private individuals	2,569	86.07%	14,308,679	5.09%
	2,917	100.00%	281,070,652	100.00%

Breakdown of Numbers of Shareholders 2016



Private individuals	87%
Nominees companies	4%
Corporate bodies	8%
Trust accounts	1%

Breakdown of Shares Held 2016



Private individuals	5%
Nominees companies	73%
Corporate bodies	22%
Trust accounts	0%

BIHL Group at a Glance

PURPOSE

The purpose of Botswana Insurance Holdings Limited is:

To deliver sustainable returns to shareholders through prudent investments, and the acquisition of profitable and complementary organisations in Southern Africa.

Though we operate throughout the region, we do not compete with Sanlam in countries where they operate.

CORE VALUES

The BIHL Group sells promises. Values describe the heart of the business and should be at the centre of the business community's commitment to clients. Certain ways of being and doing are important to the team as they exercise their defined Purpose, engage in their Mission and take the first step towards achieving their Vision. The chosen values convey the deep sense of what is important. Therefore it is a good idea to define positive and negative indicators to describe the values in more detail. Below are the adopted values for the BIHL Group.

Support and Collaborate.
Acting in the best interest of the BIHL Group.
When faced with a decision, or engaging in our work, we continuously ask the question: Is what I decide or do for the good of BIHL? Is what I am doing building the brand or breaking down the brand? We will work as a team and offer excellent service to our clients. Under no circumstances will I bring disrepute to the organisation.

Ethical.
Conducting our business and, in particular, dealing with clients in a proper and principled manner. We will advise our clients truthfully and in their best interest. Under no circumstances will we breach confidentiality and disclose sensitive business information.

Accountable.
Taking responsibility to commit to what we are tasked with.
We commit ourselves to consistently take responsibility for the effective completion of tasks for which we are held answerable. We look for the best solutions. We deliver our best game and learn as much as possible from each task and interaction.

Authentic.
Genuinely lead and deliver with open hearts.
We choose to be present in all the discussions happening in our team. We each undertake to raise the critical but difficult issues. We are genuine and open to feedback from clients and colleagues alike. We will not sit on issues without addressing the difficult conversations. Nor will we avoid conflict.

Innovate.
Embracing change.
The world in which we operate is constantly changing. We will prepare ourselves and embrace change while constantly looking for opportunities to learn and succeed. We will know we are not innovating when our business model becomes too costly and services lag behind competition.

VISION

To be the leading regional financial services provider through optimisation of the Group's collective strength.

MISSION

Three phases of growth have been described by three themes:

01 Collaborate for growth

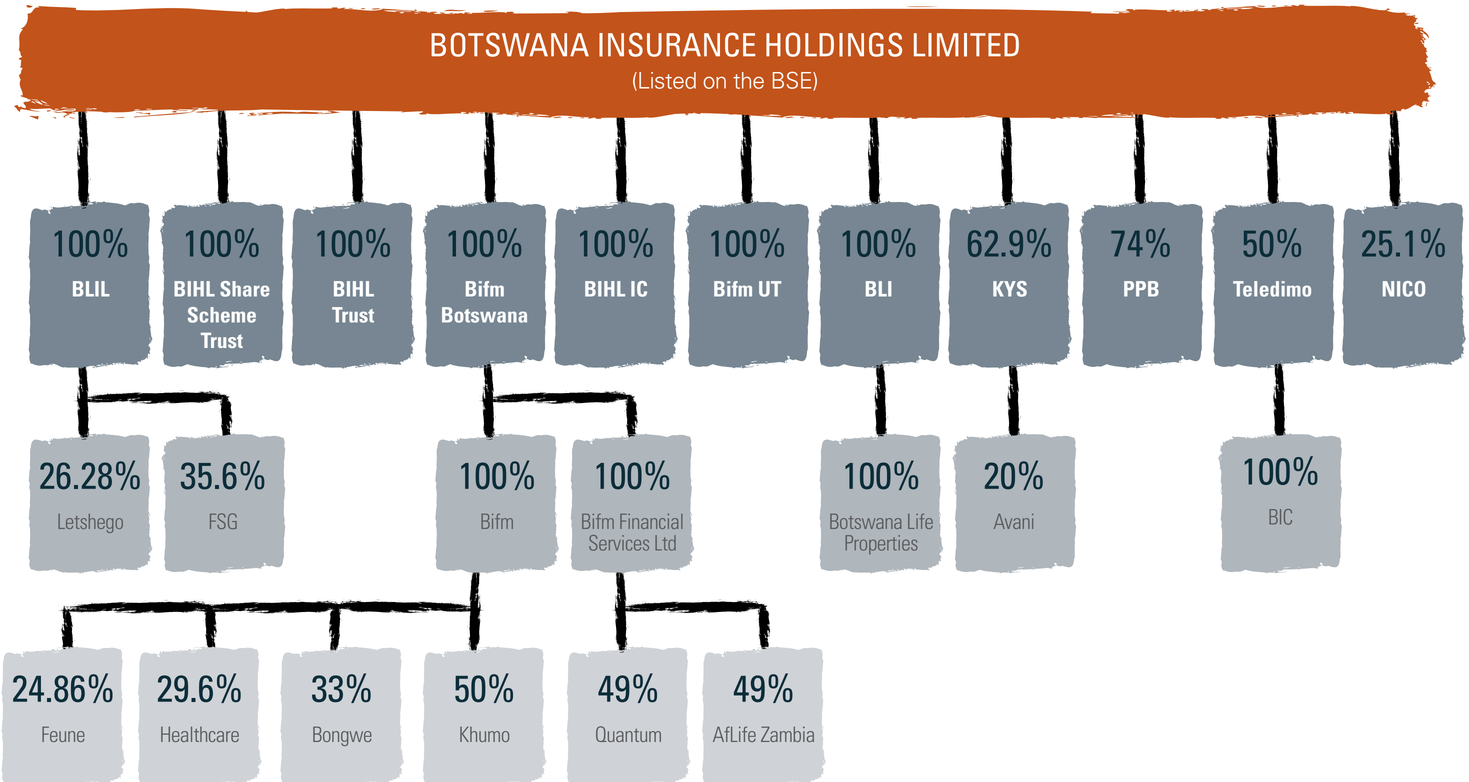
02 Optimise for efficiency and innovate

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.

Structure

Botswana Insurance Holdings Limited (BIHL) is a broad-based financial services group and one of the largest companies listed on the Botswana Stock Exchange.



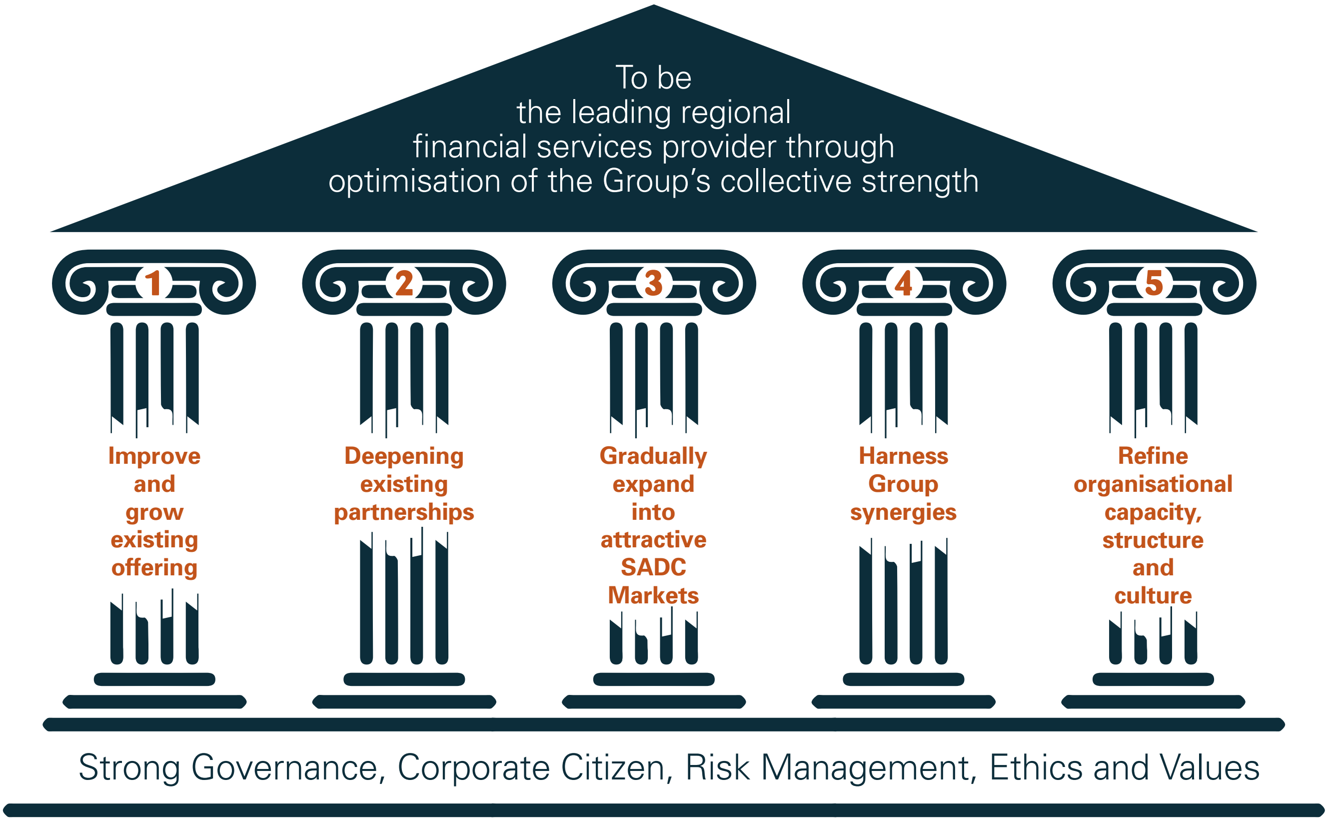
BIHL core businesses

Life	Asset	Short-term	Other
Insurance	Management	Insurance	Services

Bifm · Botswana Life · Legal Guard

BIHL GROUP

Strategy Update



BIHL Group operations retained their dominant market positions in Botswana. We continued to drive the Group's twin strategy of growth and profitability within a diversified financial services portfolio, with particular emphasis on execution. The strategic implementation progress achieved in 2016 created good foundation and momentum for future value creation to our clients, partners, shareholders and broader stakeholders.

Group wide accomplishments during the year ranged from improving our internal capabilities to creating greater efficiencies and convenience for our clients. The resultant being continued shareholder value while giving back to our communities.

Highlights from the strategy implementation during the year 2016 include:

STRATEGY UPDATE (CONTINUED)

1

IMPROVE AND GROW EXISTING OFFER

Delivering Growth and Strengthening our Mature Businesses

In our relentless effort to satisfy customer needs

- New innovative products were launched to market;
- Service distinction through the introduction of an affluent division with promising early signs of growth;
- We continue to focus on the unbanked segment, finding cost effective ways of serving this market;
- The LifeRewards Card continues to grow;
- Increased activity from Bifm, new mandates signed and key mandates retained; and
- Bifm Unit Trust AUM increased by 54%.

2

DEEPEN EXISTING PARTNERSHIPS

Review and strengthen our partnership model to provide improved access to products and services

- Our partnership model continues to deliver pleasing results, both with new and existing partners. 7 new products were launched through partner channels. New partners included BOPEU and FNBB.

3

EXPANSION INTO ATTRACTIVE SADC MARKETS AND EXPLORE IN-COUNTRY OPPORTUNITIES

Expand beyond our borders to markets where insurance penetration is low and has upside potential, expansion through associates

- Nico Holdings, present in 5 countries, with associates in Mozambique, Uganda and Tanzania and four subsidiaries in Malawi and one in Zambia;
- Letshego, increased stake to 26.28%, present in 11 countries;
- FSG, increased stake to 35.5%, present in 3 countries, plans to expand to Zimbabwe in the near future;
- 50% indirect stake in BIC;
- African Life Financial Services' growth potential remains intact; and
- We continue to explore the SADC region for opportunities.

STRATEGY UPDATE (CONTINUED)

4

HARNESS GROUP SYNERGIES AND DRIVE OPERATIONAL EFFICIENCIES

Unlock value from the Group's Strength in Numbers in order to grow sales and drive operational efficiencies

- Investment in technology remains key to realising operational efficiencies and convenience for the customer;
- Two IT systems were delivered in the second half of the year;
- Key technological changes bedded during the year;
- Call centre creates convenience; faster and cheaper service to clients.
- LifeRewards Card continues to deliver, and through the card our payment turnaround time has substantially reduced, since inception just under P1billion has been paid through the card; and
- Working closely with Sanlam to increase support to subsidiaries and associates to extract value.

STRATEGY UPDATE (CONTINUED)

5

INCREASING ORGANISATIONAL CAPACITY, STRUCTURE AND CULTURE

- Expecting our first batch of Diploma in Insurance graduates, from Ba Isago University in May 2017;
- Leadership and Management Development training through Sanlam and Stellenbosch continue;
- 5% of our administration budget targeted towards employee development in different areas of the business. This is an increase from previous 2%; and
- E-learning launched and 150 employees will have access to this platform. Mainly enrolled in operations, customer service and communications curriculums.

Our History

70s

1975

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

80s

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

REDEFINING INSURANCE REGULATING THE INDUSTRY

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.

OUR HISTORY (CONTINUED)

90s

1991

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

1993

MERGERS AND ACQUISITIONS

BIHL continues in its tradition of achieving momentous milestones which are practical, innovative and which help advance Botswana's development. In 1993, BIHL acquires control of IGI Botswana Holdings Limited, which is delisted and restructured into BIHL. The business continues to handle short-term and long-term insurance.

That same year, the young bull proves its strength, as BIHL shares rise to P0.32 - a 46.5% increase on the listing price.

1995

A TRAJECTORY OF GROWTH

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

1999

ADVANCING EDUCATION

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.

00s

2003

From the start, HIV/AIDS was made a very important component to the outlook that BIHL took when engaging with communities. BIHL 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 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 that comes with this.

2006

ENHANCED PRODUCTS

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

BIHL Board approves establishment of 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 in Phase 2 is a major landmark, which marks the pride of Southern Africa – the new SADC Headquarters. Bifm once more kept its promises by delivering this property on time and within budget.

10s

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

- BIHL refreshed Corporate Identity launched
- BLIL sponsored Afcon football
- Inaugural BIHL Trust Thomas Tlou recipients get scholarships
- Bifm Capital sale completed
- BIHL SURE! by BIHL launched

2013

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

2014

Botswana Life launched a refreshed brand identity, still keeping in line with the old identity, the bull remains the essence of the brand.

2015

COMMEMORATING 40 YEARS OF WORKING WITH BATSWANA, FOR BATSWANA

BIHL Group in November 2015 commemorated 40 years of doing business in Botswana, for Batswana and with Batswana. BIHL welcomed stakeholders from near and afar for a glittering anniversary gala dinner. Guest of Honour, Vice President of the Republic of Botswana, Hon. 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, BIHL 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 BIHL continues to celebrate with the many people who have played a role in this story.

BIHL aqquired a 25.1% stake in NICO Holdings Malawi.

2016

BIHL GROUP ACQUISITION OF BIC APPROVED

Botswana Insurance Holdings Limited (BIHL) Group acquires a 50% indirect stake in Botswana Insurance Company (BIC).
The transaction results in 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 resultant benefit is enhanced services and development of increasingly competitive products to benefit customers.

BIHL Group in Action

2016 was a busy year for BIHL, with notable activities, milestones and developments across the Group. Here, we share key highlights.

PwC Award

BIHL Group 2015 Annual Report Scoops the Group's 7th Best in Finance Sector Award at PwC

BIHL Group once again raked in the coveted prize for 'Best Annual Report Financial Services' at the PricewaterhouseCoopers (PwC) Best Published Corporate Report and Accounts Awards, making this the Group's 7th win in the category. We dedicate this incredible win to every member of our BIHL family and our friends who have walked with us on our journey of delivering quality financial services over our 41 years in business.

1st Chancellor of Ba Isago University

BIHL Group CEO Inaugurated as Ba Isago University's 1st Chancellor

BIHL Group CEO, Catherine Lesetedi-Letegele, was on Friday 11th March 2016 inaugurated as Ba Isago University's first Chancellor. Lesetedi-Letegele is the first ever Chancellor of the institution. This marked not only a momentous milestone for the University, but a phenomenal step forward as BIHL continues to champion the drive for more inclusive higher education and a culture of higher learning across Botswana, epitomised through the business and the many faces within it.

BIHL Wellness Day

Family, health and wellness are all attributes of life which BIHL Group greatly values in supporting amongst its staff, its stakeholders and within the communities which it operates. A testament to this, the Group hosted the annual BIHL Group Wellness and Family Fun Day on Saturday 19th November 2016. The fun day was hosted for families and friends within the BIHL Group at the Bank of Botswana Grounds. As with every community engagement, BIHL makes it a point to cultivate opportunities for community businesses in the vicinity where events are held, in efforts to contribute towards sustainable development.

BIHL & GCEO Scoop Africa Investor Awards

BIHL Group and Group CEO Bring Home Africa Investor Accolades

BIHL Group's double win at the prestigious Africa Investor (Ai) Capital Markets and Index Series Awards is proof that Botswana born businesses continue to stand against the best on an international platform. BIHL Group took home honours for the "Ai Best Performing Ai100 Company Award." Group CEO, Catherine Lesetedi-Letegele, also added to a personal list of accomplishments with the honour for "Ai100 CEO of the Year." The awards were held at the NASDAQ Stock Market in New York City on 19th September 2016.

BROKERS COCKTAIL

BIHL Strengthens Relations and Further Commits to Growing as a Fully–Fledged Financial Services Operation

BIHL Group and its subsidiaries are committed towards delivering effective and long-term solutions for clients as a fully-fledged financial services group. This was the sentiment shared by BIHL Group CEO, Catherine Lesetedi-Letegele, at a stakeholder cocktail held on 12th July 2016, to highlight key developments across the Group. Bringing together brokers, broker-agents and partners of the Group, including associates Botswana Insurance Company (BIC), Letshego Holdings Limited, and Funeral Services Group (FSG), BIHL thanked all for the incredible support and loyalty over the years, crediting them as integral to the growth of the business thus far.

BIHL GROUP IN ACTION (CONTINUED)

BOTSWANA LIFE APPOINTS NEW CEO

The Board of Botswana Life Insurance Limited announces the appointment of Bilkiss Moorad as the Chief Executive Officer of Botswana's largest insurance company. The new Botswana Life CEO has been in the finance industry for over 25 years. An alumnus of the University of Botswana, Mrs. Moorad graduated with a Bachelor of Commerce (B.Com) and then went on to further obtain a professional qualification as a Chartered Accountant.

She also pursued a number of advanced executive development programmes with the Gordon Institute of Business Science (GIBS), Witwatersrand Business School (WBS) and Duke Corporate Education. This exposure informed her progressive leadership skills and business acumen.

In addition, Mrs. Moorad has also acquired a number of insurance qualifications. She is highly skilled in strategic management, business development and relationship and stakeholder management.

BOTSWANA LIFE ENGAGES MEN ON ISSUES OF MASCULINITY

In a bid to strengthen community development through empowering and restoring the true identity and value-add of men in society, leading insurer Botswana Life hosted a Father-A-Nation Symposium on the 3rd of September at New Capitol Cinema in Riverwalk.

The symposium, which examined the challenges that men face and uncovered principles that can motivate them to lead lives of true purpose, discussed restoring authentic masculinity, individual excellence and life skills.

"The workshop is designed to empower Botswana Life male staff and their male relatives. We saw this as a great and refreshing way to provide men with a platform to openly discuss the challenges they face and equip them with ways in which they can tackle these issues," explained Botswana Life CEO, Bilkiss Moorad.

The event concluded with the men making voluntary pledges to be more involved in their families by protecting, loving and inspiring their loved ones; to be active in combating inequalities; and to use their strength to protect and serve in society.

BOTSWANA LIFE LAUNCHES ACHIEVERS CLUB

Botswana Life Insurance Limited marked yet another milestone on the 18th of February 2016 at the Phakalane Resort, as they launched the Achievers Club. The Botswana Life Achievers Club is an exclusive club for the companies' elite agents and brokers who have contributed immensely to Botswana Life through their outstanding sales performance.

The theme for the spectacular event was a night with the stars under the stars and was attended by renowned motivational speaker Vusi Thembakwayo, Botswana Life executive and management teams, sales agents from Botswana Life and broker agencies and the media.

BIHL GROUP IN ACTION (CONTINUED)

BOTSWANA LIFE CELEBRATES FITNESS WITH CLASSIC RUN 2016

Botswana Life hosted the annual Classic Run marathon on the 16th of October 2016 at the University of Botswana Stadium. The run began at 06:00hrs and participants completed at various times throughout the morning. Proceedings ended at 09:30hrs. The marathon aimed to support sports development and improve the health and fitness of Batswana. The marathon, which has seen the support of Botswana Life for 24 years, was attended by 485 participants this year.

While giving his welcome remarks, Head of Financial Institutions, Employee Benefits and Affinity Groups, Joseph Kuaho, stated. "Botswana Life has been in partnership with the Gaborone Runners Club as its technical partner for the last 24 years. We are pleased to announce that interest in the marathon continues to grow. We have seen a steady growth in the number of participants, from an average of about 150 people several years ago to between 400 and 500 per year over the last 3 years. The objective of the Classic Run is to contribute toward sports development locally, as well as to promote a healthy and active lifestyle."

For the first time, this year, the run included a 21km run for the benefit of long distance runners "We are growing and improving the race every year, and this is the first year that we have added the 21km distance in order to make the race more attractive for those who prefer marathons and half marathons. We have hopes of adding 42km to the race in the future and we continue to be grateful for those that attend this annual run," stated Botswana Life Marketing Manager, Keleabetswe Loeto.

Winners of the marathon included: Onneile Dintwe, Sheperd Kenatshele, Gaone Bathoeng and Sylvester Koko."We look forward to growing the run into one of the biggest events in the sports calendar," asserted Loeto.

BOTSWANA LIFE HANDS OVER 5 HOUSES IN KGOMODIATSHABA VILLAGE

On the 24th of August 2016, Botswana Life handed over 5 houses to families in Kgomodiatshaba as part of the President's Housing Appeal. Kgomodiatshaba residents attended in numbers to witness the handover ceremony.

Speaking on behalf of the Presidential Housing Appeal Board was Brigadiar G.M.Tlhalerwa "The initiative started 5 years ago and in those five years, 510 houses have been built, housing over 3000 less privileged Batswana across the country, he said. Mr. Tlhalerwa thanked Botswana Life for joining in their efforts to house fellow Batswana across the country with no roofs over their heads.

Handing over the houses on behalf of Botswana Life was Head of Retail at Botswana Life, Moletlanyi Tshosa. He expressed that Botswana Life is driven by an undying passion for giving Batswana dignity through services that change their lives for the better. Tshosa spoke further about the ways that Botswana Life makes a difference in the lives of Batswana.

BIHL GROUP IN ACTION (CONTINUED)

BOTSWANA LIFE LAUNCHES AFFLUENT SERVICE CENTRE

Botswana Life Insurance Limited (BLIL), launched its Affluent Service Centre at its offices in the Gaborone Central Business District on the 18th of October 2016.

The Affluent service, which is the first of its kind in the Botswana insurance market, is in line with Botswana Life's understanding of the local market, and their ability to innovate and provide solutions for their customers at each stage of their growth. During her opening remarks, Botswana Life CEO, Bilkiss Moorad, said, "Botswana Life has been part of the landscape of Botswana for 41 years. This is a legacy we are proud of - but we are not comfortable enough to rest on our laurels. We value excellence and innovation and constantly strive to match our offerings to our customers' life goals. We have always kept our ear to the ground, so that we can anticipate the needs of our market, innovate and rise to meet them."

The Affluent service offering includes the expertise of wealth managers who give Botswana Life clients a bespoke, holistic view of their investments. The Permanent Secretary to the President, Carter Morupisi, lauded Botswana Life, enumerating the various ways that the organisation has contributed to the growth and development of the nation, including education, public health, sports development and community upliftment. "We trust that Botswana Life will continue to solidify its participation in national development as we continue to stand United and Proud in the face of the dawn of a new day. A new era with new possibilities and fresh ideas that will turn these challenges into opportunities," he concluded.

Botswana Life recently launched three new products, namely: the Tapologo Retirement Annuity, Isago Investment Plan and Poelo Term Assurance. The Company is looking forward to offering their customers superior service as their Affluent products and services grow in number.

BOTSWANA LIFE WELLNESS DAY

In an effort to raise awareness on the benefits of a healthy lifestyle; motivate employees to make positive behavioural health changes; sensitise our distribution partners on conditions that they might have before they become acute, Individual life hosted a wellness day event for the South Region Sales team under the theme "My Wellness, My Culture" on the 7th of October 2016.

The event was a success with over 221 in attendance following the Health Screenings (Blood Pressure, Pulse, Blood Sugar, Cholesterol, Eye test, Ear test and Body Mass Index, breast physical examination guide and Voluntary HIV testing and counselling) carried out 3 days prior to the actual event day.

When giving a keynote address, BLIL CEO, Mrs. Bilkiss Moorad, applauded the team that was behind the planning of the event and recognised the incredible substantial contribution our Financial Consultants have made to success of Botswana Life Insurance.

Team Gaborone East, under Otis Letlole, emerged victorious as they took position 1 in the planned activity challenges and won this year's floating trophy after collecting the most points on the day.

The Wellness Day is an annual event meant to encourage an all-round healthy lifestyle amongst our distribution partners thereby leading to sustainable organisational productivity.

BOTSWANA LIFE SPONSORS MISCELLANEOUS FOOTBALL CLUB

Botswana Life announced its sponsorship of Miscellaneous Football Club with proceeds amounting to P125 000 towards the players' salaries. The announcement was made at the official cheque handover ceremony, which took place on Monday 23rd of May, at the Botswana Life Head Office. This contribution is in recognition of the company's Corporate Social Responsibility initiative which champions healthy living.

When giving her remarks, the Chief Executive Officer of Botswana Life, Mrs Bilkiss Moorad stated: "Through this sponsorship, Botswana Life clearly underlines its commitment to keeping the nation healthy and motivated. As a company that celebrates positive contribution, we understand the value of a strong support system in building our communities. In light of this, we have shared our profits with Batswana by committing over P10million through the BIHL Trust to community projects of which Miscellaneous Football Club is a beneficiary. Furthermore, as we chronicle our 41 years in business, we are proud to continue making a sustainable contribution to Botswana's socio-economic development and our mission is to go beyond this achievement".

The chairman of Miscellaneous Football Club, Mr Seiphetho Sefhako, confirms that Botswana Life is the biggest sponsor since the inception of the football club. "As a community soccer team, we are privileged and to be associated with a dependable corporate entity such as Botswana Life, which has gone an extra mile to further the vision of our team. Their contribution will assist us in ensuring that our players get sufficient salaries and are motivated to perform at their best," enthused Sefhako.

"We look forward to asserting our role as an Insurance company that is devoted to having a positive impact in the lives of Batswana," asserted Moorad.

BIHL GROUP IN ACTION (CONTINUED)

UDUGU ENTREPRENEURSHIP CULTURE WEEK

Botswana Life, proudly sponsored the Udugu Entrepreneurship Culture Week that was held from 31st October to 4th November in Gaborone. The platform, which seeks to assist the growing number of start-up businesses in Botswana, addressed challenges common to local and global entrepreneurs.

A working breakfast held at the offices of Botswana Life interrogated the true state of the ecosystem of entrepreneurship in Botswana and the opportunities that lay ahead "I believe that a collaborative effort between all key stakeholders in the entrepreneurship value chain is required for us to take entrepreneurship development in our country to the next level. Knowledge sharing is key, so is the need to shift from giving the youth loans for businesses to providing equity,"said Bilkiss Moorad, CEO of Botswana Life.

The Entrepreneurship week, which is the brainchild of the Udugu Institute Botswana in partnership with various institutions, aimed to boost Tech-oriented start-up businesses and find means of avoiding business failure by addressing common pitfalls that young entrepreneurs face.

Botswana Life was the main sponsor of the Boot Camp that saw industry leaders share knowledge on various aspects of entrepreneurship, as well as Financial Literacy sessions that focused on building the investment culture in Botswana. The sessions explored the benefits of various forms of investments such as investing in stocks, insurance or savings products. The key message for participants was that practical experience and knowledge about investments were paramount, and that significant funds were not required in order to start investing.

The climax of the week was the global seed-stage startup competition for emerging markets and fast-growing startup tech companies.

BOTSWANA LIFE WINS BIG AT PMR AFRICA EXCELLENVCE AWARDS

Botswana Life scooped three awards during the PMR Africa Excellence Awards held at Cresta Lodge Conference Centre. The event awarded companies in various sectors that stimulated economic growth and development over the past 12 months. Receiving the award on behalf of the company, CEO Bilkiss Moorad, highlighted that the awards come as an affirmation of Botswana Life's value and commitment to providing excellent service and products to its clientele. "These awards provide a clear standing of our position as a market leader in the key area of innovative insurance services. Such recognition further motivates our efforts to continue improving our products. We celebrate this achievement and we hope to continue on this successful path," stated Moorad.

The company received three Golden Arrow awards in categories of Pension/ Retirement Fund Administration, Investment Service and Insurance Companies.

In addition to the accolades, Moorad stated that the awards are a great start to an exciting year ahead "I would like to thank our clients, employees, brokers and agents for their continued support. 2016 was a great year for us with milestones such as the launch of innovative new insurance products and the affluent centre. We look forward to asserting our role as an Insurance company that delivers on its promise," Moorad noted.

02
OPERATIONS REVIEW

Our Strength in Numbers goes beyond our bottom line. It is the sum total of our people, our talent, our passion, our resources, and the many hands and hearts that invest in our products, services and indeed our shares, every day.

Group Chairman's Report

"For many years, the BIHL Group has consistently delivered an excellent set of results. 2016 was no different. Certainly, they were lower than we would have liked, but when seen in the context of the broader economic environment locally and internationally, they once again reflected the strength and resilience of the Group as a whole. Strong, robust measures have been put in place to ensure the sustainability of the Group. Indeed, we continue to implement new platforms and measures to date. With this in mind, I believe we can look forward to the future with confidence."

There are many factors that affect the performance of any organisation both positively and negatively. Many of these are external factors, over which we, as an organisation, have no control. We have to ensure that we do whatever we can to mitigate the negative.

Unfortunately, in 2016, negative external factors far outweighed the positive. Internationally, economic growth – particularly in the advanced economies – was subdued. The weak commodities cycle continued, as did the volatility of investment markets. At home, GDP was 4.3% - a long way from the double digits of the past; and unemployment rates continued to rise – a situation exacerbated by the liquidation of two large mining companies, BCL and Tati Nickel. This had a significant impact on our society at large, and directly affected Botswana Life and BIC. In addition, high levels of indebtedness among ordinary Batswana placed the affordability of insurance under pressure.

Mrs. Batsho Dambe-Groth
Chairman

GROUP CHAIRMAN'S REPORT (CONTINUED)

"The launch of the Affluent Division as well as the launch of three trailblazing products in the first part of 2016 also started to yield results towards the end of the year. "

Recurring premium income grew by an impressive 7%

to P1.085 billion

Increase in equity accounted earnings to

P224,7

million

The above had a direct impact on Botswana Life's net premium income which declined some 15% year-on-year to P2.07 billion. However, recurring premium income grew by an impressive 7% to P1.085 billion thanks to a significant upswing in retail recurring premium income. The launch of the Affluent Division as well as the launch of three trailblazing products in the first half of 2016 also started to yield results towards the end of the year.

Meanwhile our asset management business, Bifm, turned in excellent results, a truly remarkable achievement in the face of what was a turbulent and challenging year. Assets Under Management for the year grew an impressive 24% to P25.9 billion.

Legal Guard, however, experienced a decline in new business and this was compounded by rising operating costs. Nevertheless, we are encouraged by the progress that is being made with the implementation of its new strategy, and by the fact that the business remains profitable.

Outside our borders, inflationary pressure in Zambia and Malawi affected the returns delivered by our investments in those countries.

During the review period, we advanced our diversification strategy by using the Group's shareholder investment portfolio to make some significant investments. These included acquiring a 50% stake in Teledimo Pty, which owns Botswana Insurance Company, the leading and oldest short term insurance company in Botswana. We increased our shareholding of Letshego Holdings Limited from 23.17% to 26.28%. Although experiencing their own challenges in the region's economic climate, our expansion of associated investments resulted in an increase in equity accounted earnings from P186,7 million to P224,7 million. It is also important to understand that a long-term view for new investments must be adopted.

We are also investing in our future profitability by utilising technology to boost our operational efficiencies as well as to introduce innovative products. This includes, for example, Botswana Life's LifeRewards card and Bifm's Unit Trusts.

It is clear therefore that as a business, BIHL Group is doing well. We have the resilience and the agility needed to ensure that we continue to provide the products and services required by our markets as well as to deliver sound returns to our clients and shareholders. We are fortunate to have an excellent, mutually beneficial partnership with Sanlam that enables us to draw on their technical expertise where necessary and maximise synergies between our organisations. Sanlam recognises that BIHL is their largest contributor to their emerging markets business and is therefore keen to assist wherever possible to ensure our ongoing success. Sanlam's representatives on our Board of Directors freely share their advice and expertise. This, combined with the local skilled, competent individuals we have as independent Non-Executive Directors and the way their specific areas of expertise are utilised in our sub-committees and on our subsidiary Boards, means we have exceptionally strong teams at the helm of the Group and its operations.

All our Board members are selected for their expertise and their ability to make a positive contribution to the organisation. If a vacancy occurs on the Board, we prefer to wait until the right candidate is found rather than rush to fill it. At present, we have vacancies on the Bifm Investment Committee and the Botswana Life Board, and the search for the right candidates is underway.

I am pleased that we have been able to fill our executive team with exceptionally high calibre individuals. Led by Catherine Lesetedi-Letegele, who has been with the Group for more than 20 years, I am confident that we have the right skills in place to take the business to the next level.

We are also investing a significant amount in developing skills throughout the organisation – particularly at middle management level - and we work incredibly hard at retaining the skills we have.

GROUP CHAIRMAN'S REPORT (CONTINUED)

Looking ahead, our most urgent challenge will be to bed down our latest investments and consolidate what has been achieved to date. We will, simultaneously, continue to develop innovative products and services.

While many might believe that the market is saturated, we are aware that there are still pockets of the population that we have not yet brought on board. We must therefore identify those segments, analyse what types of products and service they require, and develop innovative solutions that meet their needs. We have done this with our Affluent offering – but there are others that are also worth pursuing.

What is key to remember is that the BIHL Group is not only about profit. As a corporate citizen, it is our responsibility to contribute to the development of our country in any way we can. Our excellent Corporate Social Investment (CSI) policy is geared to this and we continue to apportion one percent of our after-tax profit to our CSI initiatives. These are funded through the BIHL Trust. Most of these are directed at education and poverty alleviation, but we need to continually assess our CSI actions to evaluate our performance and possibly identify other areas in which we could have a greater impact.

THANKS

I would like to take this opportunity to thank the various Regulatory authorities for their cooperation and willingness to work with BIHL in the identification and resolution of issues.

I am confident that this relationship of trust will continue into the future. Ours is a business very much about relationships, and we are humbled and honoured to have sound relations with our stakeholders. Indeed, we are grateful to have so many people and organisations continue to build on the narrative of this business.

GROUP CHAIRMAN'S REPORT (CONTINUED)

I would also like to thank our shareholders, technical partners, directors, clients and staff for their unwavering support through what has been a challenging year. It is this indomitable spirit that will ensure the ongoing sustainability of the Group.

Mrs. Batsho Dambe-Groth
Chairman, BIHL Group

"We are grateful to have so many people and organisations continue to build on the narrative of this business."

Group Chief Executive Officer's Report

While 2016 was a challenging year, there were numerous positives, the most pleasing and energising of which was the excellent Bifm turnaround. The previous year had been extremely difficult for Bifm. Following the loss of a portion of the BPOPF mandate, the entire organisation was restructured, and the staff complement rationalised to ensure employees were "fit-for-purpose."

This was a traumatic process, yet the Bifm team adopted an aggressive recovery strategy, performed well and, ultimately, was able to regain some of the assets we had lost as well as new mandates. This put Bifm on the road to a solid recovery and well positioned for a strong start at the beginning of 2017. Also very pleasing is the turnaround in Bifm Unit Trusts, which had been a loss-making initiative prior to 2016. In the review period, Assets Under Management increased by 54% to P1.5 billion ending with a small profit of P1.2 million. The turnaround of Bifm and Bifm Unit Trusts business is a testament to the people we have at the company, their focus and determination, and their efforts in creating and maintaining meaningful and mutually beneficial relationships with clients.

Mrs. Catherine Lesetedi-Letegele
Group Chief Executive Officer

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

"The business continues to focus on profitability, with less emphasis on market share for the sake of it."

Poelo Life cover is a first for the market and provides a return of

120%

of premiums if the Life Assured outlives the term of the policy.

"During the year, the company signed a number of affinity clients to add to the list of existing relationships."

BOTSWANA LIFE

As its business dependent on discretionary income, Botswana Life's performance was negatively affected by the sluggish economy, which was characterised by retrenchments, mine closures and high unemployment. The harsh economic conditions resulted in underperformance of some of the company's business lines.

In line with the business strategy, the business continues to focus on profitability with less emphasis on market share for the sake of it. The Employee Benefits segment continues to be exposed to aggressive competitor pricing which led to some schemes being lost. Notwithstanding the loss, the business line remains profitable.

The Retail line depends purely on discretionary savings and faced two challenges - high lapse rates and low new business sales due to financial constraints on the part of households.

The Annuity line is difficult to predict as there is no publicly available information on the number of individuals who retire or value of assets in any given year. During the period under review, while the number of retirees did not reduce substantially compared to 2015, the value of assets reduced substantially resulting in lower than expected performance. This negatively affected the line's contribution to the operating profit.

The Bancassurance line was affected by lower levels of credit extension but did not disappoint.

OUTLOOK

During the year, the company signed a number of affinity clients to add to the list of existing relationships. Management believes that the relationships promise positive results for the future as new products are rolled out through some of these channels and relationships.

We should also start to realise the benefits of our new Affluent division, which delivers a totally new, personalised service within the country. Launched in the second quarter of the year, it has been warmly welcomed by Batswana who appreciate being able to purchase the types of insurance products we are able to offer locally instead of having to look overseas. The company also launched three exciting new products, Isago, Tapologo and Poelo. Poelo Life cover is a first for the market and provides a return of 120% of premiums if the Life Assured outlives the term of the policy. This product is doing very well and should contribute to increased retail volumes.

LEGAL GUARD

The difficulties caused by the economy were compounded by loss of agents to competitors. This impacted our ability to generate new business. However, the most important factor that influenced the results was a change to our accounting policy to recognise outstanding claims. This saw the outstanding claims reserve rise by P2.7 million.

Fierce competition within the legal insurance space is keeping premiums artificially low, and this situation is compounded by the operation's high management expense ratio. These issues are receiving serious attention and will hopefully be addressed successfully in 2017.

ASSOCIATES

As reported in the last Annual Report, we acquired a 25.1% stake in Nico Holdings, an insurance group headquartered in Malawi, in December 2015 and also acquired a 50% indirect stake in Botswana Insurance Company (BIC) in January 2016.

These acquisitions are in line with our strategy to grow our regional footprint and to complete our insurance offering. The acquisition of BIC has ensured that the BIHL Group is the only group of its

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Increased shareholding to

26%

from 23% of Letshego

BIHL Trust's new purpose is that 'We exist to impact communities through positive and sustainable development.'

kind offering a full bouquet of insurance and investment solutions under one umbrella.

The Nico investment will enable BIHL to tap into a high potential market with low market concentration.

During 2016, we focused our efforts on embedding our practices and processes on these new acquisitions to reposition them for future growth.

Funeral Services Group (FSG) continued to do very well. Their African expansion continued as they set up an operation in South Africa that, although not yet profitable, has excellent prospects. FSG launched the tombstone product in Botswana. This has done very well and we expect it to be a key driver of our revenue and profits in 2017. For the first time, FSG's operations in Zambia broke even and the operation is expected to do well into the future. A new branch is set to open in Kitwe, and this should boost revenues further. Moreover, there are plans to expand into Zimbabwe during the current financial year but, while preparations for this are underway, a final decision on this move has not yet been taken given the fluidity of the Zimbabwean economy.

Letshego continues to be a significant associate and during the year we increased our shareholding from 23% to 26%. The company continued its expansion into Africa and concluded transactions in Nigeria and Ghana, resulting in an impressive foot print and representation in 11 countries. Letshego is making good progress in Namibia, where they now have a banking licence. Letshego's performance was however challenged in a number of areas resulting in a decline in profitability which negatively affected our results. Letshego's expansion strategy should start paying dividends in the medium-term.

Nico Holdings had to contend with hyperinflation and high interest rates in 2016. This made several of their product offerings unaffordable for customers. Nico was further negatively impacted by the poor performance of one of their major assets, NBS Bank. However, the business itself is sound - its life business met its operating profit targets - and we are confident that a turnaround of the NBS bank and improvement of the Malawi economy will result in a marked improvement in the company's results. Given the significant and deep rooted economic challenges that are currently prevailing we expect a marginal improvement in results going forward.

Botswana Insurance Company (BIC), another new BIHL investment, posted a decent profit and grew its revenues and top line. However, it too experienced a challenging year in which increased claims resulted in the company not meeting its profit targets. On a positive note, the company was able to fulfil all its claim obligations.

CORPORATE GOVERNANCE

Corporate governance remains an ongoing priority for the Group but with an increased focus on risk management, particularly around the management of capital.

The Group continues to improve its risk and compliance processes. We have to embed several new regulations and improve our product offering to meet ever changing customer needs.

Our goal is to ensure that the businesses are solvent and well capitalised, and that excess capital is being deployed to deliver a good return to shareholders. Given the changes in legislation, and new acquisitions as well shareholder expectations, the Group is expanding is capacity to effectively manage risk across all its businesses.

HUMAN RESOURCES

The establishment of a Talent Council at Group level, consisting of the Group's executive team, enabled us to take a long, hard look at our employees and identify talent and high potential - and then set up a framework through which talent can be developed and managed.

We are therefore confident that we have a decent pipeline of future leaders and will endeavour to grow this pipeline as well as provide training programmes to enable seamless succession.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

"As we strive to grow our base of skilled employees, I was particularly proud of the fact that several of our actuarial staff successfully completed subjects towards their professional qualifications."

We also launched an e-learning platform as a way of fast-tracking training and exposing many more people to training than would be possible in a conventional classroom environment.

Some staff members, particularly at managerial level, participated in several development programmes at Sanlam while six people also went on attachment to Sanlam during the year.

As we strive to grow our base of skilled employees, I was particularly proud of the fact that several of our actuarial staff successfully completed subjects towards their professional qualifications. One has completed his studies and now just needs to fulfil the work experience requirement to obtain his accreditation.

CORPORATE SOCIAL INVESTMENT

Our CSI investment continues to be directed through the BIHL Trust. The largest investment to date – P1million – has been to the President's Housing Appeal, through which we have assisted the Government of Botswana to build ten houses for the less fortunate.

In 2016, we took a step back to review the Trust's strategy and align it more with our overall business strategy. Our goal going forward will be to support projects that are in line with our own types of business endeavours such as projects relating to longevity and financial wellness. BIHL Trust's new purpose is that 'We exist to impact communities through positive and sustainable development'. Through this purpose we will endeavour to collaborate with partners to find initiatives in the following areas:

- Education
- Social Upliftment
- Economic Empowerment
- Public Health Awareness
- Recreation
- Conservation of the Environment

TECHNOLOGY

BLIL THITO Database Optimisation
The solution, which primarily addressed the Life Administration system performance by optimising the way records are generated and stored in the database, has been in place since April 2016 and is already delivering major benefits to the business. It has greatly enhanced our product development capabilities as evidenced by the launch of new and innovative products. It has also resulted in improved client experience.

Legal Gaurd Administration System
The new Legal Administration system at Legal Guard replaces the short-term insurance system that was used by both Legal Guard and BIHL Sure!. The new system is a pure legal expense system which provides rich and relevant functionality, flexibility and reliability to the operations at Legal Guard.

Looking Ahead
The development and roll out of new business and technology platforms at Botswana Life and Legal Guard should start to have a positive impact on these operations' profitability, productivity and performance into the future.

Thanks and Appreciation
My job as CEO of this organisation is made considerably easier by the fact that I have an excellent team of talented, dedicated individuals working with me and supporting me. I am extremely grateful to each and every one of them.

I would also like to thank the Board, our business partners and our staff for their support in ensuring the sustainability of the Group. Our Strength in Numbers is what continues to guide us, and continues to ensure we are a formidable force in this market and beyond.

Catherine Lesetedi-Letegele
Group Chief Executive Officer

Economic and Financial Review

The world economic outlook for 2017, as predicted by the World Bank, remains strong with above average growth forecasts within emerging markets, developing economies as well as advanced economies. The major downside risk for global economic growth still lies within the intricacies around Brexit negotiations. The new US Government and its stance on how to proceed with the review of some of its major trade agreements is also a major source of uncertainty.

Regionally, the recent Credit Rating downgrade of South Africa's sovereign rating to sub-investment grade could potentially undermine growth by constraining private investment and household consumption.

The domestic economy grew by 4.3% 2016, and is expected to grow by 4.2% in 2017. The outlook of the mining sector, which saw BCL being placed under provisional liquidation in 2016, depends on how the world economy will fare. The impact of the BCL closure will largely be social with estimated job losses around 5000 and will also have an economic downstream effect as enterprises doing business with BCL will also be affected: this includes banks and other entities, which have been involved with BCL. The diamond sector is however expected to counter some of these negatives as the price and demand show signs of strength in 2017.

The Pula exchange rate system was reviewed in 2016 in order to maintain a stable and competitive real effective exchange rate for the Pula. In the new exchange rate basket of currencies, the Rand has a weight of 45%, down from 50%, while the SDR weight is 55%, up from 50%.

Bank of Botswana cut the Bank rate by 50 bps to 5.5% on 12 August 2016. Bond yields fell across the curve during the year, and nominal yields have been at historical low levels. Inflation closed the year at 3.0 percent at the lower end of the Central Bank target range of 3 to 6 percent, with an average of 2.8% during the year of 2016.

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

FINANCIAL OVERVIEW

The review of the Group's financial performance and position should be read together with the Group's Annual Financial Statements on page 105.

BIHL Group returned laudable profits under challenging circumstances with Operating Profit After Tax (OPAT) of P475 million. This was however a decline of 19% compared to the previous year. The decline in profitability can be attributed mainly to reduced investment returns resulting from subdued performance in world markets and a decline in single premium profits for the life company. The Asset Management Company (Bifm) performed well with a healthy increase in assets under management compared to prior year. Share of profits from associates also increased by 20% reflective of the group's increased shareholding in Letshego & FSG as well as some returns from the Malawi investment.

RETURN ON GROUP EQUITY VALUE (ROGEV)

The key performance measurement of BIHL Group is 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 performance indicators used by the Group to measure the success of the main components of its strategy are classified into the following categories:

- **SHAREHOLDER VALUE** (ALL STRATEGIC FOCUS AREAS)
- **BUSINESS VOLUMES** (FUTURE EARNINGS GROWTH)
- **EARNINGS** (EARNINGS GROWTH AND COSTS FFICIENCIES)
- **CAPITAL AND SOLVENCY** (OPTIMAL USE OF CAPITAL)

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

SHAREHOLDER VALUE

BIHL Group delivered a decent set of results in 2016, despite challenging local economic conditions and weak global financial markets. The focus on utilisation of capital and particularly the application of excess capital towards enhanced income generating assets or more cost effective avenues continued. This approach allows for the most sensible strategy to achieve long-term value creation.

ROGEV was 15.2% (2015: 17.4%) showing resilience during a challenging period and is within the regions of shareholder expectation. The strong capital adequacy position is supportive of the fact that the Group is well positioned for both organic and inorganic growth into the foreseeable future.

Our capital position remains strong with life business covered 6.6 times (December 2015: 8.6 times). Shareholders continued to enjoy a healthy dividend yield at 6.95% which is among the top tier of what can be obtained on the BSE listed entities.

BUSINESS VOLUMES

	2016 P'000	2015 P'000
Life insurance business:		
New Recurring	260,174	235,376
Single	982,164	1,405,876
Total New Business	1,242,338	1,641,252
New recurring	817,144	773,788
Single	5,604	19,210
Total Existing Business	822,748	792,998
Outflows	(1,533,251)	(1,283,488)
Net funds flows	531,835	1,150,762
Asset management Business		
Inflows	4,482,441	1,382,444
Outflows	(562,040)	(11,004,541)
Net Funds Flow	3,920,401	(9,622,097)
General insurance		
Inflows	48,035	44,678
Outflows	(16,872)	(14,912)
Net Funds Flow	31,163	29,766
Total net funds flows	4,483,399	(8,441,570)

The life business had a decline in net funds flow with a total of P531 million net inflows compared to P1.2 billion in 2015 due to tough operating conditions in 2016. The single premium business, which is mostly annuity, experienced a decline during the year due to some operational challenges in that line of business. The steady growth in benefits paid to policyholders continued during the year, up by 19% to P1.5 billion compared to 2015. This was mostly driven by the maturity of Khumo 2016 policies. The asset management business, Bifm, experienced a pleasing increase of P3.9 billion in net funds due to additional mandates that were acquired during the year as well as additional inflows from the flourishing Unit Trust business. General Insurance's inflows continue to grow despite the challenges experienced in this market.

VALUE OF NEW BUSINESS AND NEW BUSINESS MARGIN

Value of new business and new business margin

	2016 P'000	2015 P'000
Value of new covered business	161,575	163,654
Present value of new business premiums	2,081,951	2,298,360
New covered business margin	7.76%	7.12%

The Value of New life Business (VNB) was 1% below prior year at P162 million on the back of a drop in single premium volumes and margins. Recurring premiums which are a source of more sustainable long term profits posted strong growth in the value of new business.

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

EARNINGS

Analysis of shareholders' earnings

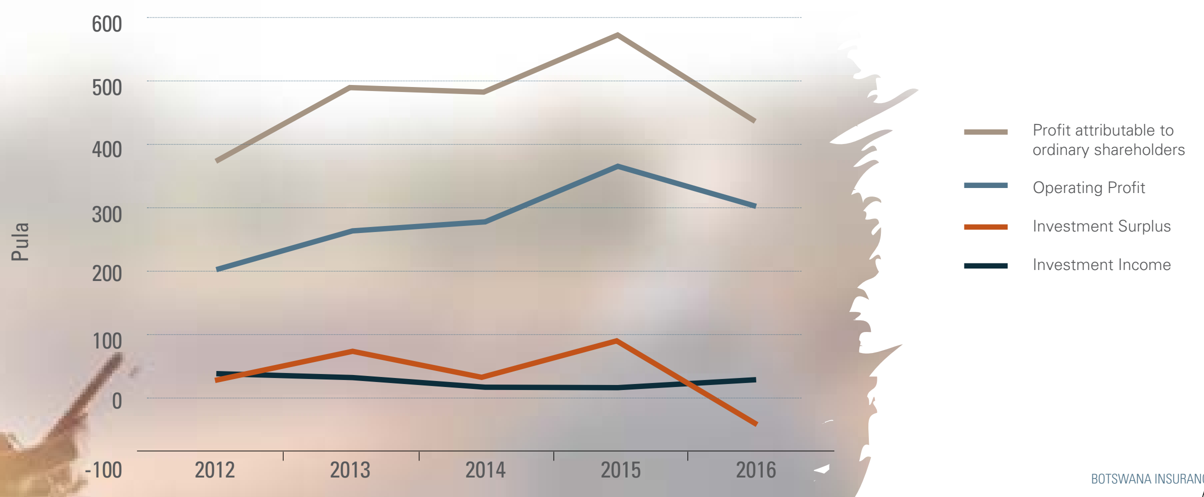
	Year to 31 December 2016 P'000	Year to 31 December 2015 P'000 (Restated)	% change
Operating profit	333,182	385,884	-14%
Investment income on shareholders's assets	39,258	34,078	15%
Core Earnings	372,440	419,962	-11%
Share of profit of associates and joint ventures net of tax	224,671	186,728	20%
Investment losses surpluses on shareholders assets	(21,076)	114,939	-118%
Profit before tax	576,035	721,629	-20%
Tax	(100,728)	(133,942)	
Profit after tax	475,307	587,687	-19%
Minority shareholders' interest	(1,199)	(2,627)	
Profit attributable to ordinary shareholders	474,107	585,060	-19%

Five year review of core earnings

The performance of the past 5 years is as follows:

	2016 P'000	2015 P'000 (Restated)	2014 P'000	2013 P'000	2012 P'000
Operating profit	333,182	385,884	287,199	276,651	232,764
Investment income on shareholders' assets	39,258	34,078	32,448	32,807	37,956
Core earnings	372,440	419,962	319,647	309,458	270,720
Profit on sale of subsidiary	-	-	(14,946)	-	6,075
Share of profits of associates , net of tax	224,671	186,728	253,618	205,377	196,482
Investment surpluses/(losses) on shareholders' assets	(21,076)	114,939	54,821	80,112	12,054
Tax	(100,729)	(133,942)	(107,495)	(84,620)	(90,936)
Profit after tax	475,306	587,687	505,645	510,327	394,395
Non-controlling interest	(1,199)	(2,627)	(6,108)	(2,273)	(3,477)
Profit attributable to ordinary equity holders of the parent	474,107	585,060	499,537	508,054	390,918

Five year review - P million



ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

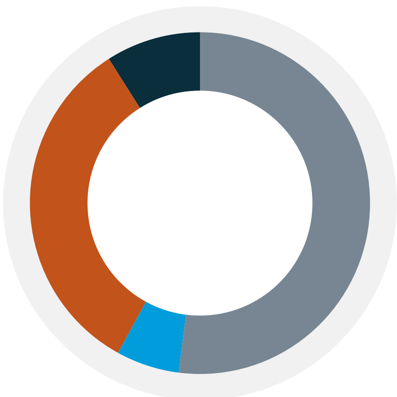
Segment Contribution

	Year to 31 December 2016 P'000	Year to 31 December 2015 P'000	% change
Life insurance business	355,407	389,535	-9%
Asset management business	38,085	30,967	23%
Associates	224,671	186,728	20%
General insurance	34	2,504	-99%
Group expenses	(28,454)	(28,251)	1%
Impairment of goodwill	(28,806)	-	0%
*Other	(3,985)	(8,870)	-55%
	556,951	572,612	

*Other - refers to unit trust and charitable trust

2016 Composition of Group earnings

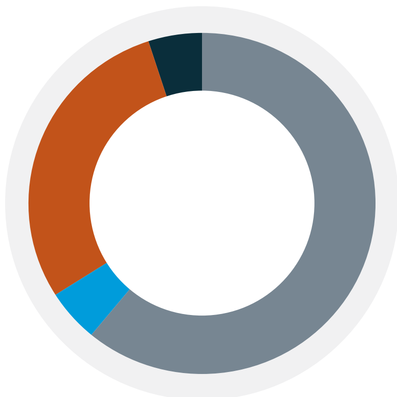
(%) 52%



Life insurance business	52%
Asset Management business	6%
Associates	33%
Other	9%

2015 Composition of Group earnings

(%) 61%



Life insurance business	61%
Asset Management business	5%
Associates	29%
Other	5%

▼ **VNB decreased by** 1%

to P161.6 million

▼ **Operating profit decreased by** 14%

from P386 million to P333 million

▲ **Investment Income grew by** 15%

from P34 million to P39 million

BOTSWANA LIFE

Net premium income for the Life Company shrunk by 15% year on year at P2.07 billion during 2016 compared to P2.44 billion achieved in prior year. This was primarily due to the non-recurring one-off schemes that were signed in 2015 on single premiums. Recurring premium income grew by an impressive 7% from P1 billion in December 2015 to P1.085 billion for the full year to December 2016 spurred by a 9% growth in retail recurring premium income. Despite the challenging economic environment, the quality of new business written saw the Value of New Business, which represents the present value of future profits from new business premiums written remain stable at 99% of prior year. Operating profit was 9% lower than prior year showing resilience despite the significant dip in single premiums.

Given the pressure on sales volumes, management focused on containing expenditure and the 2016 administration expenses were 2% (P4 million) below prior year; this was so despite funding the introduction of new segments that are expected to deliver revenue growth in the near future.

BIFM

Bifm group achieved remarkable results for the year 2016 despite a turbulent and challenging year. Operating profit for the year showed a 4% year on year increase due to the strong growth in fee related income from Bifm and the favourable exchange rate for the year which positively affected results from the Zambia business. During the latter part of the year, we saw an increase in Assets Under Management through new mandates and market performance. Assets Under Management for the year grew 24% to P25.9 billion which is made up of P22.2 billion from Bifm Botswana and P3.7 billion from Zambia Operations.

LEGAL GUARD

2016 marked the second year of BIHL Insurance Company Limited operating solely as a legal expenses insurer, trading as "Legal Guard." 2016 has been a challenging year, with a slowdown in the domestic economy. Against this backdrop, the business saw a decline in new business which has been compounded by rising operating costs. Furthermore, the business effected a change in accounting for outstanding claims, resulting in an increase in the provision for outstanding claims reserve by an amount of P2.7 million. This change was required to bring the business in line with recommended best practice in the insurance industry.

Investment income which comprises dividend income and interest income increased by 15% to P39.3 million for year. Investment surpluses suffered P21 million losses due to the underperformance in global equity markets, this area remains susceptible to market volatility.

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

RETURN ON EMBEDDED VALUE (EV)

Value of New Business and New Business Margin

	December 2016 P'000	December 2015 P'000
Embedded value at 31 Dec 2016	4,339,385	4,157,433
Opening embedded value (Restated)	4,157,433	3,905,164
Embedded value beginning of period	4,301,504	3,823,689
Change in embedded value	181,952	252,269
Movement in capital an Opening NAV reinstatement	108,490	147,089
Dividends paid	342,906	281,831
Embedded value earnings	633,348	681,189
Return on embedded value	15.2%	17.4%

The Group's embedded value increased by 4% to P4.3 billion compared to December 2015 year end. The embedded value allows for P342.9 million dividends paid during the period.

Letshego remains an established and important contributor to Group operating profit both in terms of equity accounted earnings and life business referrals.

CAPITAL AND SOLVENCY

Optimal capital management remains one of the key strategic priorities for the Group, with specific focus on the following:
a. Optimising the capital allocated to Group operations
b. Optimal allocation of discretionary capital
c. Return of capital that does not meet the hurdles of "a" and "b" above to Shareholders.
The Group still remains in a very strong position with respect to capital adequacy. The continued strong position was taken into account by the Board in recent dividend declarations that are significantly higher than the earlier years. The Board has adopted a dual approach in dividend declaration aimed at maintaining capital levels where the overall position remains strong, taking into consideration future requirement across the Group, and equally to ensure that sustained levels of ROGEV will be achievable.

Ordinary shareholders' assets

Equity attributable to equity holders of parent company was represented by:

	Actual December 2016	Actual December 2015
Assets		
Property and equipment	156,006	155,504
Intangible assets	100,357	122,708
Investments in associates and JV's	1,878,439	1,741,680
Non-current assets held for sale	94,396	-
Investments	356,700	289,797
Investment properties	53,320	83,122
Equity investments (local and foreign)	67,423	44,898
Interest bearing investments	54,620	91,735
Policy loans and other loan advances	116,530	27,916
Money market instruments	64,807	42,126
Long-term reinsurance assets	2,936	3,042
Deferred tax asset	-	41
Short term insurance technical liabilities	(9,525)	(5,815)
Trade and other payables	(283,499)	(440,154)
Working capital cash	641,288	1,055,086
Minority interests	(20,583)	(18,474)
Total assets	2,916,515	2,903,415

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

Embedded Value

1. DEFINITION OF EMBEDDED VALUE

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

- The value of the shareholders' net assets;
- The value of the in-force business;
- Adjust for the cost or required capital to support this 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.

Other operations have been taken at net asset value.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 2016, 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.

Solvency

Life business
Required capital of

6.6 times

Covered business required capital

The required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations.

Embedded Value = Present value of future profits from in-force Business + Adjusted Net Asset Value

EMBEDDED VALUE (CONTINUED)

2. EMBEDDED VALUE RESULTS

	31-Dec-16 P'000	(Restated) 31-Dec-15 P'000
Shareholders' net assets excluding goodwill	2,850,554	2,828,708
Fair value adjustments	-	-
	2,850,554	2,828,708
Value of in-force business	1,488,832	1,328,724
Value before cost of capital	1,406,461	1,287,672
Fair value adjustments	239,404	162,055
Cost of capital	(157,033)	(121,003)
Embedded value	4,339,385	4,157,432
Required capital	429,524	328,936
Capital cover	6.6	8.6
Embedded value per share (Pula)	15.54	15.22

3. EMBEDDED VALUE EARNINGS

	31-Dec-16 P'000	(Restated) 31-Dec-15 P'000
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	4,339,385	4,157,433
Embedded value as at beginning of the year (Restated)	4,157,433	3,905,164
Embedded value at beginning of the year	4,301,504	3,823,689
Change in embedded value	181,952	252,269
Movement in capital on opening NAV (Restated)	108,490	147,089
Dividends paid	342,906	281,831
Embedded value earnings	633,348	681,189
Return on embedded value	15.2%	17.4%
These earnings can be analysed as follows:		
Expected return on life business in force	117,089	101,113
Value of new business	172,275	173,503
Value at point of sale	161,575	162,856
Expected return to end of year	10,700	10,647
Operating experience variances	(6,252)	27,000
Mortality/Morbidity	24,860	50,839
Persistency	(31,305)	3,174
Expenses	(18,895)	(23,707)
Other	19,089	(3,306)
Operating assumption changes	84,761	89,721
Mortality/morbidity	2,183	48,209
Persistency	78,170	16,858
Expenses	3,394	(53,930)
Other	1,014	78,584
Embedded value earnings from operations	367,873	391,337
Investment variances	(44,516)	57,856
Economic assumption changes	33,535	(133)
Interest and Inflation	3,241	(133)
Risk discount rate	30,294	-
Growth from life business	356,564	449,060
Return on shareholders assets	200,382	253,362
Investment Returns	11,788	82,350
Net profit non-life operations	188,594	171,012

EMBEDDED VALUE (CONTINUED)

Change in shareholders’ fund adjustments	77,349	(23,847)
Investment surpluses on treasury shares	3,429	38,510
Movement in present value of holding company expenses	(1,883)	1,927
Movement in fair value of incentive scheme shares	(15,658)	(18,165)
Movement in other net worth adjustments	91,461	(46,119)

4. EMBEDDED VALUE EARNINGS

4. EMBEDDED VALUE EARNINGS	634,295	678,575
Fair value adjustments		
Staff share scheme	(52,512)	(50,629)
Non-life operations write-up to fair value	292,935	201,474
Group holding expenses	(117,034)	(101,376)
Reversal of cross holding adjustment	116,016	112,586
Total	239,405	162,055
Consisting of		
Net asset value adjustments	-	-
Value of in-force business adjustments	239,404	162,055

5. 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 2016, 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.

	31-Dec-16 P’000	31-Dec-15 P’000
Value of new business at end of the year	182,975	184,151
Value of new business at point of sale after cost of capital	172,275	173,503
Value at point of sale before cost of capital	171,170	180,389
Recurring premium	94,991	61,344
Single premium	76,179	119,045
Cost of capital at point of sale	(9,595)	(17,533)
Expected return to end of year	10,700	10,647

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	10.0% 31-Dec-16 P'000	11.0% 31-Dec-15 P'000	12.0% 31-Dec-14 P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	2,850,554	2,850,554	2,850,554
Value of in-force business	1,876,748	1,488,831	1,402,915
Value before cost of capital	1,775,518	1,406,461	1,337,045
Fair value adjustments	239,404	239,404	239,404
Cost of capital	(138,174)	(157,033)	(173,534)
Embedded value	4,727,302	4,339,385	4,253,469
Value of one year's new business at valuation date	173,212	161,575	151,095
Value before cost of capital	181,635	171,170	161,687
Cost of capital	(8,423)	(9,595)	(10,592)

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-16 % p.a	31-Dec-15 % p.a	31-Dec-14 % p.a	31-Dec-13 % p.a
Risk discount rate	10.50	11.00	11.00	11.50
Overall investment return (before taxation)	6.90	8.08	8.58	9.09
Expense inflation rate	4.00	4.50	4.50	5.00

6.2 Mortality Rates

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

Allowance has been made for expected future AIDS mortality allowing for the effect of the roll out of Anti Retroviral Treatment. The most recent conducted on 30 November 2015 by the company.

6.3 Expenses

A 4% expense escalation per annum was assumed going forward. (2015:4.5%)

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 December 2016.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 31 December 2016 by the company.

6.6 Tax

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

EMBEDDED VALUE (CONTINUED)

6.7 Mix of assets backing the Capital Adequacy Requirement

Asset Class	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13
Equities	0.0%	0.0%	15.0%	15.0%
Property	0.0%	0.0%	10.0%	10.0%
Fixed-interest securities	0.0%	0.0%	25.0%	25.0%
Cash	100.0%	100.0%	50.0%	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 of capital over base Capital P'000	Value before cost of capital Total P'000	% Change
Embedded value at 31 December 2015				
Base	1,488,831	157,033	1,645,865	
Discontinuance rates decrease by 10%	1,458,694	158,239	1,300,455	(21.0%)
Future expenses decrease by 10%	1,426,896	157,033	1,269,863	(22.8%)
Mortality experience decreases by 5%	1,408,950	157,543	1,251,406	(24.0%)
Investment returns decrease by 1%	1,492,379	160,223	1,332,155	(19.1%)
Risk discount rate decreases by 1%	1,484,169	138,174	1,345,994	(18.2%)
Risk discount rate increases by 1%	1,337,045	173,534	1,163,511	(29.3%)

	Value of new business P'000	Cost of Capital P'000	Value before cost of capital P'000	% Change
Value of one year's new business as at 31 December 2015				
Base	161,575	9,595	171,170	
Discontinuance rates decrease by 10%	165,533	9,577	175,109	2.3%
Future expenses decrease by 10%	157,270	9,578	166,847	(2.5%)
Maintenance and acquisition costs decrease by 10%	157,104	9,578	166,682	(2.6%)
Mortality experience decreases by 5%	149,013	9,735	158,748	(7.3%)
Investment returns decrease by 1%	162,044	9,767	171,811	0.4%
Risk discount rate decreases by 1%	164,789	8,423	173,212	1.2%
Risk discount rate increases by 1%	140,502	10,592	151,094	(11.7%)

Assumed management action

No management action has been assumed.

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 below, referred to as the Published basis. For the purpose of 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 2016 the Assets and Liabilities under the two approaches are the same.

	31-Dec-16 P'000	31-Dec-15 P'000
Statement of Actuarial Values of Assets and Liabilities		
Total assets	11,412,353	11,159,663
Current liabilities and deferred tax	509,646	555,783
Net assets	10,902,707	10,603,880
Actuarial value of policy liabilities	8,804,037	8,555,330
Excess of assets over liabilities	2,098,670	2,048,550
Capital Adequacy Requirement	214,762	164,468
Capital Adequacy Requirement cover	9.77	12.46
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period as previously reported	2,048,550	2,116,409
Excess assets as at end of reporting period	2,098,670	2,048,550
Change in excess assets over the reporting period	50,120	(67,859)

	31-Dec-16 P'000	31-Dec-15 P'000
This change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities		
Investment income	14,173	33,910
Capital gains	(11,330)	59,983
Total investment return on shareholders' funds	2,843	93,893
Changes in valuation methods or assumptions	103,988	12,973
Operating profit	251,430	375,725
Taxation	(83,521)	(94,546)
Ordinary shareholders surplus for the period	274,740	388,045
Capital contribution through acquisition of investment in associate	-	26,233
Business Combinations	-	-
Share of profit from associates and other comprehensive loss from associates	70,737	104,066
Capital raised and dividends paid	(295,357)	(586,204)
Total change in excess assets	50,120	(67,860)

REPORT OF THE INDEPENDENT ACTUARY (CONTINUED)

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 103.9 million as at 31 December 2016, (31 December 2015: reduced policyholder liabilities by P13.4 million). The impact of valuation assumption and methodology changes on policyholder liabilities are summarised below

	31-Dec-16 P'000	31-Dec-15 P'000
Assumptions Change	(3.0)	15.6
Mortality	5.3	(10.3)
Lapse and surrender	(4.0)	(3.1)
Expenses	(0.6)	30.9
Economic	(3.8)	(1.9)
Other changes	0.1	(0.0)
Methodology Change	(100.9)	(29.0)
Total	(103.9)	(13.4)

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. In particular, 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 Institutes 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 2016 exceeds the minimum requirements in terms of the IPRL1.

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 as given by an 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 taken into account.
- Unit expenses are based on the 2017 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 with regard to 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. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to 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 the purpose of 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.

REPORT OF THE INDEPENDENT ACTUARY (CONTINUED)

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.

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.

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 3.0% per annum (2015:3.0%). A discount rate of 8.3% per annum (2015:8.8%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

For individual unbundled policies of which the bonuses are stabilised or smoothed, a gross premium valuation was performed. Future bonuses were provided for at bonus rates that would be declared should an investment return of 3.0% per annum be earned (2015: 3.0%). A discount rate of 8.71% per annum (2015: 9.01%) was used to place a present value on assumed future cash flows. A negative Pula reserve has been allowed for, equal to the present value of future charges not required for risk benefits and renewal expenses. Bonus stabilisation reserves were held to equate the liabilities to the market value of the corresponding assets.

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 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 (2015: -7.5%).

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 (2015:15%)
- additional reserves are created to ensure that no policy is treated as an asset

No other discretionary margins are held on individual life products. The following margins were held in previous reporting period and were released in the current reporting period:

- margins on expense inflation of 7.14%
- margins on the AIDS mortality table of 87.23% for females and 55.83% for males
- margins on per policy renewal expenses of 7.8% and 7.5% on premium related expenses.

Improvement in data size, data quality and experience over time has made the level of prudence introduced by discretionary margins excessive. As a result some of the margins were released.

For annuities no discretionary margins are held over the compulsory margins but a discretionary reserve is created through a methodology approved by the Actuarial Committee and the Statutory Actuary. A discretionary reserve of P151.7 million (Dec 2015: P239.0 million) was held at the end of the current period.

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

Economic parameters

The best estimate assumptions for the major investment parameters are based on estimated future inflation. 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:

	31-Dec-16 %	31-Dec-15 %
Gilt return	7.0	7.5
Equity return	10.5	11.0
Property return	8.0	8.5
Cash return	6.0	6.5
Average return	7.9	8.4
Expense inflation	4.0	4.5

Bonus Rates

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

Policy Decrements

The assumptions (before adding margins) with regard to future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the Company's recent experience and provision has been made for the expected increase in the occurrence of AIDS-related claims. The most recent lapse investigation was done as at the end of January 2017 with an effective date of June 2016. The most recent mortality investigation was done in May 2016 using data with exposure in the period 1 January 2012 to 31 December 2015.

Expenses

Provision for expenses (before adding margins) starts at a level consistent with the Company's current experience and allows for inflation of 4.0% (2015: 4.5%) escalation per annum.

REPORT OF THE INDEPENDENT ACTUARY (CONTINUED)

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, although no restrictions were actually required in practice.

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 P214.8 million (December 2015: P164.5 million) is 9.77 times (December 2015: 12.95 times).

I hereby certify that:

- The valuation of Botswana Life Insurance Limited as at 31 December 2016, 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.

GT Waugh
Statutory Actuary

Botswana Life

Our Vision is to create a world where everyone is financially secure.

At Botswana Life, our Mission is to provide financial solutions that make a positive difference in the lives of our customers and employees.

After 41 years of providing assurance to policy holders as Botswana Life Insurance Limited (BLIL), 2016 was a year of progression in the midst of unforeseen national socio-economic developments. Despite the challenges faced, we leveraged our strengths, and ended the year a stronger organisation.

▲ **Recurring premium income grew by an impressive** 7%

from P1 billion in December 2015 to P1.085 billion spurred by a 9% growth in retail recurring premium income.

▼ **Decreased administration expenses by** 2%

(P4 million) and introduced new segments to drive revenue growth

▲ **Increase of** 20%

Policyholder benefits paid to the value P1.5 billion

We worked hard to improve our customer service and we have already received accolades from clients regarding improved turnaround times and how much more efficient our customer service centres are.

Our call centre came into its own, with increased capacity enabling the handling of many more calls than before. It is now also set up to enable personalised, more frequent communication with clients.

We doubled our efforts to improve our operations, working smarter and better; re-evaluating our people, processes and training; eliminating historical backlogs and redefining work streams. Our continued implementation of the 5-year strategy will ensure we ride the tide of economic fluctuations, as we continue to lead the pack in delivering premier life insurance solutions.

Chief Executive Officer's Report

2016, my first year as CEO of Botswana Life, was an interesting year. In many respects, it was a watershed year for me; for the company – which, although still profitable, failed to reach its budgeted targets. However, I believe that despite the challenges we faced, and the impact this had on our financial results, we ended the year a stronger organisation.

Generally, new CEOs have time to embed their leadership but too many events outside of our control occurred during the year that had a massive impact on the organisation. Events like the closure of two of the country's major employers, BCL and Tati Nickel mines, had never occurred before. This made everyone far more cautious than they had been in the past when it came to spending money on perceived "luxuries" like insurance.

We were also faced with the situation in which banks significantly reduced their lending. This had a direct negative impact on our credit life book while our annuity book was affected by a trend away from outsourcing pension funds.

While these negative factors played out, we doubled our efforts to improve our operations. We paid significant attention to looking at how we could work smarter and better; re-evaluating our people, processes and training; eliminating historical backlogs and redefining work streams.

We worked hard to improve our customer service and we have already received accolades from clients regarding improved turnaround times and how much more efficient our customer service centres are.

Our call centre came into its own, with increased capacity enabling the handling of many more calls than before. It is now also set up to enable personalised, more frequent communication with clients.

While our systems have long been a challenge for us, we reached a significant milestone with the go-live of a vital IT upgrade migration/CR35 Thito migration. This enabled us to introduce several high-end, extremely innovative products which we would not otherwise have been able to do. I believe the Poelo Term Assurance; Tapologo Retirement Annuity; and Isago Investment Plan will prove to be major game-changers in the insurance industry in Botswana. Based on feedback from our brokers and market, the products have been enhanced and the demand for these life products has been truly overwhelming.

Mrs. Bilkiss Moorad
Chief Executive Officer, Botswana Life

Botswana Life

WHAT IS IMPORTANT FOR THE BUSINESS

- TO CONTINUE TO FOCUS ON ITS STRATEGY
- TO FOCUS ON EXPERTISE AND EXCELLENCE
- TO CONTINUOUSLY ENGAGE WITH ITS CLIENTS
- TO CONTINUE TO DELIVER RELEVANT LIFE INSURANCE SOLUTIONS
- TO CONTINUE TO IMPROVE AND INNOVATE

As a result, we will be modifying other products within our product set, in a way that I believe will contribute to the diversification of our product portfolio and thus create sustainable profitability for the company.

We also invested heavily in training both from a sales and an operation perspective throughout 2016. As a result, our sales people understand all aspects of the sometimes complex products they are selling, as well as all governance-related issues. We are extremely proud of the fact that our 800-strong sales distribution team has largely met NBFIRA's continuous professional development (CPD) requirements.

Perhaps, one of the most significant development in 2016 was breaking the back of the underwriting backlogs and bottlenecks that had plagued us for so long. This required a complete re-engineering of our underwriting processes, and ultimately will include some elements of auto-underwriting. We have also made a radical breakthrough in the field of medical underwriting that allows clients to choose whether to go through a medical examination. Instead of walking away from the product because they would prefer not to have a medical examination, they can opt to take up the product, but with an appropriately loaded premium.

We launched quite a number of commendable initiatives and services, the first being the launch of our Affluent Service Centre. It is the first of its kind in the Botswana insurance market, offering the expertise of wealth managers who give Botswana Life clients a bespoke and holistic view of their investments. We also launched the Botswana Life Achievers club, which is an exclusive club for the company's elite agents and brokers who have contributed immensely to Botswana Life through their outstanding sales performance.

In a bid to alleviate poverty through the help of the Presidential Housing Appeal we were able to build five houses for the less fortunate families in the village of Kgomodiatshaba.

LESSONS LEARNED

The impact of the closure of the BCL and Tati Nickel mines, which – although we gave policy holders a six-month premium holiday - resulted in the loss of almost 5,000 policies. It made us re-evaluate much of our conventional thinking.

This loss of income has been factored into our 2017 budget and I am confident that we will be able to fill the gap left by BCL, not only to up-sell and cross-sell to our existing client base, but also by focusing on new growth areas.

We have high hopes for our new Affluent market division and we are also looking to develop products aimed at other potentially lucrative niche market segments. These moves are being supported by a range of incentive programmes for our internal and independent sales agents.
However, our key focus will be on client retention and growth, by treating each client as a valued individual and tailoring solutions to their specific needs. That will demand a new mindset from our sales force, who will have to develop the confidence to move away from selling a single product, to understanding their clients and presenting them with a holistic proposition.

Another challenge for us – and our sales channels – is the changing regulations relating to the payment of commissions. At present, sales people are accustomed to receiving their commissions upfront; now we will have to spread the commissions over several years, making it essential for sales people to develop lasting relationships with their clients. These are also challenges all insurance companies, not just Botswana Life, will have to deal with.

First is the fact that the entire insurance industry is changing fundamentally with competition no longer just from other insurance companies but banks, retailers, and telecommunication companies. We are also faced with the fact that the service or product we provide can be distributed in any number of ways, through the Internet or SMS, via the post office or retailers or banks. Consumers just want convenience.
At the same time, we are having to deal with increasingly stringent governance requirements, both local and international. While these impact our business, and push up operating costs, they are essential.

THANKS

After a difficult year, I have to thank my EXCO members and their teams for all their support throughout the period, particularly as I was trying to find my feet in my new role.

I am particularly proud of the way our people within Botswana Life worked so hard as we faced one hurdle after another. Their efforts ensured that although our results were far better than they could have been.

I'd also like to thank the Group CEO and Group Chairperson, as well as the BLIL Board, for their unwavering support, understanding and encouragement throughout the year.

With this support, and the strides we have made in 2016 with our new products, new markets and new systems, I believe we can look forward to the future with confidence.

Bilkiss Moorad
Chief Executive Officer, Botswana Life

BOTSWANA INSURANCE FUND MANAGEMENT

Despite unforeseen domestic and international critical economic challenges, Botswana Insurance Fund Management (Bifm) remained resilient in creating sustainable wealth for its clients. We built strategic blocks and solidified our business foundation to ensure we sustain success, diversify and grow.

We are well positioned to perform even greater and will continue strengthening our skills capacity, client engagement, enhancing our delivery channels internal controls and driving product innovation. Our bespoke client value proposition, hunger for growth, market agility and implementation of the 5 year strategy will continue to drive greater returns to our shareholders and deliver increasing value to our clients.

Assets Under Management for the year grew 24%

to P25.9 billion

Reduced Administration Expenses by 18%

to P46.43 million

As a business, we place a lot of value and emphasis on employees' welfare and the retention of key skills and resources as employees are the greatest asset the business has.

Operating profit showed a 4% year on year increase from increased income and favourable foreign exchange rates for regional trading

Chief Executive Officer's Report

Despite the 2016 financial year being characterised by a lot of uncertainty in the global political landscape and economic landscape locally, the business remained resilient and as a consequence we saw the Assets Under Management (AUM) increase by P5 billion to P25.9 billion as at 31 December 2016. For us 2016 was a year of building the strategic blocks and foundation for the business and ensuring that going forward the business remains sustainable and able to protect, diversify and grow the existing client base.

Mrs. Neo Bogatsu
Chief Executive Officer, Bifm

As a business, one of our main objectives is to act in the best interest of clients and respond to their needs proactively and timeously. We consider continuous client engagement to be of great importance as it ensures that we are at all times aware of our client needs and expectations. Thus, during the year, we spent considerable time engaging both existing and prospective clients and this will continue going forward. All Clients value a business that offers excellent service delivery. Excellent service delivery in my view is a team effort, every member of the organisation must play a role and contribute towards the achievement of this critical mandate. As a business, we place a lot of value and emphasis on employee's welfare and the retention of key skills and resources as employees are the greatest asset the business has. In that regard, we continue to train, coach and mentor out staff to ensure they reach the highest level of success in their careers, which ultimately ensures success for the business.

During the year, the business together with other BIHL Group companies created and implemented HR focus groups aimed at providing a platform to discuss how the group can improve working conditions through the best company to work for survey. In addition, we continued to work on strengthening other areas of the business which contribute to better service delivery such as reviewing internal control structures, risk and compliance structures, both back office and investment operating systems. I believe regular reviews of the internal service delivery process contribute to improved efficiencies and raise our service levels.
To ensure the business' sustainability and growth, we continue to look at creating and tapping at opportunities that exist in the local market. I believe through taking advantage of our existing strategic partnerships and investment product innovation and offering, the business will be able to sustain itself. In addition, we leveraged on the rich history of the business, strong brand and strong insight into the Botswana market.

In the last quarter of the year, we rolled out the five year strategic plan for the business with some of the key pillar and focus areas including but not limited to: Client retention and engagement, Organisational efficiencies, Corporate Citizenship and Human Capital Management. I believe the new strategy will position the business well and ensure that we can withstand, proactively respond and adapt to the ever changing operating and regulatory environment, the strategy is key for the future sustainability of the business given the increased level of competition in the local asset management industry.

WHAT IS IMPORTANT FOR THE BUSINESS

- DOING VERY HARD WORK
- ACTING ACCORDING TO OUR CONVICTIONS
- HAVING THE RIGHT ATTITUDE
- HAVING RESPECT FOR OUR CLIENTS, OUR COLLEAGUES & OURSELVES
- BEING FIRM AND FAIR IN EVERYTHING WE DO & BEING HONEST TO A FAULT

LOOKING AHEAD

2017 is a year of implementing our five year corporate strategic key initiatives which will set the tone and trajectory for the next five years. I believe the business is well positioned to perform well despite the challenges that lie ahead such as the continuous increase in the level of competition and saturation of the local asset management industry.

The business will continue to focus on strengthening human resource skills capacity, client engagement, enhancing product delivery channels, product innovation and offering, internal process and controls. I believe we have a good value proposition for our clients and we continue to look at all aspects of the business including our processes to ensure that we deliver to our clients.
I am confident that everyone at BIFM is hungry for more success and with our new strategy we will achieve a lot resulting in increased shareholders and delivering on our clients mandates and expectations.

THANKS

I am grateful and thankful to be working with a team of qualified professionals and dedicated people who sacrifice their time and effort to ensure the success of the business. Everyone showed an unbelievable entrepreneurial spirit and truly embraced the Bifm values of professionalism, diligence, resilience, respectfulness and trustworthiness.

I also want to thank the BIHL Group and the Bifm Board of Directors, which continue to show us considerable amount of support in many areas, all the time and this gave us the confidence we needed to whether the storm and do what had to be done.

Finally, I'd like to thank our clients who continue to believe, trust and support us through the good times and especially through the turbulent times. By choosing Bifm, they have put their trust in us, and we are committed to living up to our reputation as a trusted and reputable asset management firm that will deliver excellent service and create value on a long term sustainable basis. We do not take this for granted; we are committed to meeting these expectations on a daily basis.

Neo Bogatsu
Chief Executive Officer, Bifm

Botswana's leading legal expenses insurer.

Legal Guard is Botswana's leading legal expenses insurer, and has been the key to Batswana's justice for the last 12 years. Legal Guard gives access to face-to-face legal counseling and assistance with internal attorneys at any of our 11 branches countrywide. We provide access to our highly qualified and experienced external panel of attorneys who will represent our members in civil, criminal and labour matters, to mention but a few. We have a client base of more than 86,000 customers who we provide immediate and efficient legal services to daily.

▲ **Increase in provision for outstanding claims reserve to P2.7 million**

▲ **Recorded a revenue growth of 8%**

to P48.04 million amidst economic fluctuations

▼ **Reduced selling expenses by 1.0% to P2.98 million**

General Manager's Report

2016 was a very challenging year for Legal Guard, characterised by a slowdown in the domestic economy. In consequence, the business has seen a decline in new business which has been compounded by rising operating costs.

Against this backdrop, the business strategy set in motion the previous year is yet to deliver on its full potential. In spite of these challenges, the business nevertheless managed to record a revenue growth of 8%. In addition, some of the processes that were put in place over the 18 months to December 2016, which includes a considerable investment in training, have already resulted in a notable improvement in customer service levels.

During the year, the business effected a change in accounting for claims, resulting in an increase in outstanding claims reserves of P2.7 million. This change, which was made to bring the business in line with recommended best practice by the insurance industry regulator, significantly impacted the profit for the year. However, the business considers this as a prudent move and its benefits will be felt going forward.

Mr. Mike Dube
General Manager, Legal Guard

WHAT IS IMPORTANT FOR THE BUSINESS

- TO CONTINUE TO FOCUS ON ITS STRATEGY
- TO IMPROVE PROCESSES AND STANDARDS
- TO EMBRACE I.T. & THE EFFICIENCIES IT BRINGS
- TO RETAIN CLIENTS

Another significant development undertaken in 2016 relates to the need to redefine Legal Guard's core business as a provider of legal expense insurance. This necessitated that the need to focus first, in putting at the core of service delivery, processing of claims and ensuring that complimentary services were re-defined and packaged to reduce conflict with core business. For claims, the process was streamlined, documentation required simplified and service desks increased and staff trained to identify bona fide claims.

Process standards were put in place with levels of decision making defined to facilitate quicker turnaround. The result has been a marked decline in the time taken in waiting for a decision as well as the elimination of non-qualifying claims. As an added feature, the business did an extensive review of all matters in its books to ensure compliance with policy cover and the law, which resulted in the business being able to review the adequacy of the amount held as provision for claims. The business is now confident that the claims ratios experienced are within the benchmark target, further facilitating the business to be able to continue underwriting new business with confidence.

Customer service too continues to be a key focus for the business going forward. Apart from the streamlining of claims process and claims handling, the Board approved the implementation of new technology to go with other initiatives being implemented.

The business has come to recognise that in a high-volume business such as ours, trying to drive changes and boost productivity by focusing on high-cost specialist staff strategies may not be the most suitable approach. Our new ability to automate routine processes will enable us to significantly reduce our overheads while improving our service levels. The implementation of the new IT solution will enable increased automation of key processes and is integral to the success of our overall turnaround strategy.

Key amongst the deliverables of the new IT platform is the smooth and orderly renewal of client policies. To date, the automatic renewal of maturing client policies has resulted in data challenges with severe consequences for the stability of the revenue streams. Attempts to address the problem in the outgoing system have only been partially successful. This was a key factor in the decision to replace the old system with the new, integrated platform.

The investment in new IT technology further will enable the business to diversify product range and provide services to a broader spectrum of the market. Client retention, another key challenge emanating from the use of the old technology is set to be realised through the ability to deliver excellent customer service, in a more cost-effective manner. The business believes that the cost of retaining existing clients is far cheaper than the cost of having to recruit new clients in order to grow revenues.

Retaining clients is clearly dependent on customer satisfaction. The business conducted its first ever independent assessment of customer service and public perception during the period under review and scored 67%, a credible result in the circumstances. There are several reasons for this including the implementation of an appointment system, streamline process of lodging claims, a change in office hours, which eased congestion and enabled the business to deal more efficiently with back office tasks. The business believes that as a service provider, the measurement of customer satisfaction is a key measure that should be tracked continuously and as such commits to conduct this on an annual basis.

The business notes that the financial performance for 2016 shows a decline in financial performance relative to 2015. However the business remains optimistic that this was a once off, attributable mainly to the change in accounting treatment for open claims. The business has since the implementation of its current strategy and the implantation of the associated initiatives, remained profitable.

The capital support from the shareholder too has not been needed in the last two years. However going forward, the next challenge is to return profitability to levels in excess of 2015 on a sustainable basis as well as delivering an acceptable rate of return to the shareholder. With the continuing enhancement internal processes, containing claims costs, and an increased emphasis on building efficiencies around operating expenses, I am confident that Legal Guard will be a force to be reckoned with in years to come.

Mike Dube
General Manager, Legal Guard

Human Resources Report

We experienced several notable successes in the HR arena in 2016, all of which have positioned BIHL well for a sustainable future.

One of the highlights of the year was embedding our talent management framework, which enables us to manage our current, future and emerging talent in a more structured and holistic manner. We now know how we are going to identify people across all the businesses and how best to develop them. Key to this process was to identify our next cadre of leaders and develop a timeframe for their development and advancement. We also had to look at how best to retain them now and in the future.

Mr. Onthusitse Max Mosiakgabo
Group Head of Human Resources

HUMAN RESOURCES REPORT (CONTINUED)

Training and skills development consumed a significant portion of our energies and investment. While we generally devote 2% of the total staff cost to learning and development across all the subsidiaries, we spent up to 5% above our normal training budget in 2016. This was in line with a strategy developed several years ago when we identified the gaps in people skills that would have to be closed to enable continuity and to deliver on the overall business strategy.

We are currently sponsoring around 17 of our most promising and talented employees to study towards external insurance qualifications. Indeed, we do not just invest in our own people: we supported the Government's internship programme by providing opportunities to some 60 young people; investing in the future talent of Botswana's working population.

Another success during the review period, of which we are justifiably proud, was the launch of our e-learning platform. We are now able to blend our training using classroom-based, self-led and e-learning methodologies so that we can respond to the types of training employees need at any time.

The e-learning platform also ensures our training efforts are more cost-effective, as we have been able to reduce time spent on travel, accommodation, and other associated training costs including the amount of time out trainers spent out of the office, it allows for better business partnering. In just six months following the launch of the platform, we were able to see the value of the system in terms of our ability to deploy courses, as well as manage and track employee learning.

To date, we have about 150 employees enrolled on our e-learning platform at a total cost to the Group of almost P1 million. However, this gives each individual 12 months' access to all the learning materials that are specific to their roles and functions as well as to their personal development. It is an investment that is well worth it, as we build on our capacity and the precious resource that is our people.

As the Group expands and diversifies, our next challenge will be to prepare people who are equipped to operate effectively throughout the region and across our different business operations. There is no question that human capital is going to be the differentiator for any organisation that plays in the financial services sector. We are therefore establishing collaborative structures that allow our people to develop a broad understanding and appreciation of the environment in which we operate by participating in projects and collaborative learning.

Of course, retention of talented personnel will always be a risk for any organisation. We have good retention mechanisms in place and I am pleased to report that we did not lose any of our key talent in 2016. At the same time, we were able to attract some highly skilled individuals to the organisation. One of the HR successes of the review period was our ability to resource the new Affluent operation with skilled individuals who could meet the demands of this highly competitive market.

However, we cannot afford to rest on our laurels. As competition increases, we know that poaching pressure will increase, and we remain mindful of this. Looking to the future, our focus is on preparing our businesses and our people for the upswing that will come. That means not only training and retaining our best talent, but also ensuring that our human capital pipeline is filled with top young graduates who can feed into the growth of the organisation.

There has been considerable traction in the HR space during the year 2016. None of this would have been possible, however, without the unwavering support of the past and current executive teams. I am also grateful to all our employees who have embraced our new direction and actively supported our transformation into a learning organisation.

"Our next challenge will be to prepare people who are equipped to operate effectively throughout the region and across our different business operations. There is no question that human capital is going to be the differentiator for any organisation that plays in the financial services sector."

03
SUSTANABILITY REVIEW

For us, sustainability is engrained into the very way in which we approach our business and our engagement with our people, our community and our environment. Everything we do is grounded in a fervent desire to ensure we remain “sustainable.”

SUSTAINANBILITY HIGHLIGHTS

At BIHL Group, we hold the importance of strong governance checks and balances in the highest regard. Even beyond Regulatory and country law, we pride ourselves on holding our business up to the highest standard. In many cases, this means taking a firm, hard look at our business, our people, and our day to day practices. Corporate governance is, for us, not simply a box to tick, but a veritable foundation that we build our business upon.

Thus, ensuring we are always in the proverbial green, a focus on sustainable, measurable and realised governance is paramount to how we do business. At BIHL Group - and inclusive of our subsidiaries - we aim to return value to all our stakeholders through relevant policies. We are cognisant of the fact that sustainability has an all-encompassing reach; of the fact that every small detail makes a great difference. The longer we do good in the ecosystem - in all senses of the word - where we operate, the longer we can continue to return value to our shareholders and partners. In turn, this means the longer we can continue to give back to the communities we call home.

Since 2014, BIHL has been made it a regular habit - a system implementation - to review usage on resources like power and water. We do this throughout the subsidiaries within the business. The impetus behind this was to understand how the resources were being utilised, with any notable trends, and then to improve on efficiencies. We aimed to ultimately reduce costs and, in turn, our impact on the environment, thus firmly working to better the Planet sustainability pillar, as well as that of Profit.

The 2014 statistics focused on water, electricity, telephone and printing costs, and these were used as an initial benchmark. The same evaluation exercise was conducted in 2015, and continues to be done each year, as we strive to take a long-term view on how we can improve. 2016 was no exception. As we make comparisons between the years, utilities costs, we are better placed as regards where and how to begin to effect positive sustainability initiatives.

The data has been shared here, and what can be seen is an overall general increase in the total cost of utilities across the business. Part of the increases can be attributed to annual rates increases from suppliers.

BIHL

	ACTUAL Dec-16 P	PRIOR Dec-15 P
Office Electricity	204,734	124,212
Office Water	15,274	8,880
Cellphone	373,538	263,587
Telephones & Fax	32,237	150,942
Printing	650,743	668,169
Total	1,278,544	1,215,791

BIFM

	ACTUAL Dec-16 P	PRIOR Dec-15 P
Printing & Fax	P265,632	P241,114
Telephone	P372,529	P433,723
Water & Electricity	P336,815	P356,236
Total	P974,977	P1,031,073

BOTSWANA LIFE

	ACTUAL Dec-16 P	PRIOR Dec-15 P
Water	P204,082	P57,793
Power	P1,142,369	P1,016,854
Telephones and fax	P3,384,247	P3,136,381
Printing	P1,034,897	P949,150
Total	P5,765,597	P5,160,178

LEGAL GUARD

	ACTUAL Dec-16 P	PRIOR Dec-15 P
Office Water	10,568	10,065
Office Electricity	123,886	66,214
Telephone & Fax	198,144	252,317
Printing	452,038	355,124
Total	784,636	683,720

PRINTING

At Group level, there was a reduction in the use of printing expense and consumption of paper as **email communication** was encouraged throughout.

ELECTRICITY

BIHL office **electricity usage increased.** This is an area we need to look into going forward as we seek avenues to reduce consumption here.

Overall, there has been **a general increase** in the total cost of utilities across the business, possibly due to supplier rates increases.

staff numbers were significantly reduced, leaving a smaller staff compliment for Bifm.

Overall, there has been a general increase in the total cost of utilities across the business, possibly due to supplier rates increases. We continue to seek ways in which to bring these consumption levels down and manage them more tightly. In addition, where resources can be recycled or repurposed, this has been done. For example, donation of old office resources such as furniture, rather than mere disposal.

WATER

In 2015, BIHL embarked on a programme to review usage on resources like power and water throughout the subsidiaries. The move to a more compact office space, Block A at Fairgrounds Office Park, has had some impact here, but we are cognisant of the fact that more needs to be done.

Sustainability Report

SUSTAINABILITY OBJECTIVES

Sustainability, by its very definition, speaks to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (Bruntland Report for the World Commission on Environment and Development, 1992). Its interpretation, though often broad or vague, stands true, and the very concept of sustainability is inherent in every part of the BIHL Group.

It is a philosophy of doing business that is central to our every action, purpose and plan, from our business transactions to how we engage with our fellow community members. After all, the Group is in the "future" business, and we want to build a solid future, all the while ensuring a strong and lasting legacy. Indeed, what we do today will affect our sustainability as a business – our ability to deliver that future. On the bedrock of forty-one years of heritage as Botswana's oldest financial services company – and as the country's largest life insurer and asset manager – we hold a unique place in Botswana's continuing narrative.

We are therefore acutely aware of what this means in the degree of responsibility we have to our people. It is a responsibility we take with the utmost seriousness: building and operating a business that will meet the needs of our clients now and in the future, regardless of how distant that future may be. We constantly take steps to protect this future and to ensure it is one that will see greater value added for our business and indeed for all of our stakeholders.

For example, we always have assets to match our annuities to ensure that when our clients want to start drawing on their pensions tomorrow, or in 20, 30 or 40 years, they will be able to do so. But sustainability goes beyond profitability and the bottom line; it is all encompassing and all-inclusive. We have a responsibility and a passion to ensure sustainable practice at every turn. Thus, sustainability is also reflected in activities relating to social justice and protecting the environment.

Simply put: to be truly sustainable, BIHL has to take account of the three Ps - People, Profit and Planet. Sustainability begins at home. It is therefore important that BIHL, which is concerned about the sustainability of the organisation, also manages its employees in a sustainable way. This requires BIHL to be a "Responsible Employer." What does that mean? It means putting our People first. Batho pele, as we say in Setswana. It means going beyond remuneration and valuing their talents; fostering their professional development; and preserving their health and safety. Moreover, it means ensuring that they are informed; promoting the exchange of knowledge, diversity, and the quality of life in the workplace; and involving them in the Group's CSI strategy. It means engaging our people in a manner that ensures they live true to the Group ethos of sustainable and positive impact. After all, working together, we know we can achieve a great deal more – it is yet another testament to the Strength in Numbers inherent in our business.

BIHL devotes a portion of its annual budget towards the training and development of its people. The importance of this investment to the Group's sustainability cannot and should not be underestimated. Similarly, the Group's Health and Wellness programme does more than have a positive effect on the lives of our individual employees; it continues to make a tangible contribution to the bottom line.

The BIHL Board realised that in order to have a sustainable business, the Group needs to give back to the community for worthy causes. In addition, though there are many organisations that perform laudable work in their efforts to assist disadvantaged communities in Botswana, no single corporate could meet the vast amount of need. What was clear was that we needed to do more. Thus, since its establishment in 2007, the BIHL Trust has done exceptional work in making a difference to individuals and communities across Botswana, supporting worthy causes across the country. To date, over P26 million has been dispensed towards philanthropic projects. The focus has primarily, but not exclusively, been on education and upliftment. Further detail on the BIHL Trust and its activities can be found in subsequent pages of this Report, along with detail on the new Trust strategy.

BIHL's contribution towards the enhancement of the quality of life of all Batswana, however, goes beyond charitable work and sponsorships.

DEVELOPMENT

We believe we serve as more than just a traditional financial services group; we are partner in the lives of Batswana. With this firm conviction, the Group has made, and continues to make, a significant contribution towards the enhancement of the quality of life of all Batswana. This includes providing people with financial peace of mind: for their retirement, while in retirement; as well as for their dependents.

SUSTAINABILITY REPORT

In addition, BIHL has been the driving force behind many groundbreaking developments in the country that have impacted positively on the Botswana way of life. Across the Group, BIHL continues to play a vital part in the development of Botswana's economy and the growth of her people. No less than 8 key developments comprising Botswana's growing cityscape and skyline have been borne out of the Group, including but not limited to the Office of the Ombudsman & Land Tribunal - the first major Public Private Partnership development project in the country - Rail Park Mall, Airport Junction, SADC headquarters, and Fairgrounds Office Park. In fact, it was BIHL that first introduced the concept of modern shopping malls to the country. We started with Game City in Gaborone in 2003, and our most recent Mall development, Airport Junction, which opened in 2012, is the currently largest shopping mall in the country.

BIHL also contributes towards the sustainability of the tourism sector, which plays an important role in the economy of the country, not least of which is the creation of sustainable jobs. This supports the principles prescribed by the Government in respect of economic development which also includes developing, empowering and promoting SMMEs (Small, Micro and Medium Enterprises) and previously disadvantaged sectors of the Botswana economy. As far as possible, BIHL's procurement is directed at promoting, supporting and encouraging the use and employment of Botswana products, services and businesses.

PROFIT

Planet and People – two vital sustainability pillars –would indubitably collapse without the third: Profit. Profit is about the business of the business, its financial and operational sustainability, and we recognise that by conducting the Group's affairs with integrity and in following sound corporate governance practices, will ensure the long-term sustainability of the business. As a Botswana-based company, BIHL is not regulated by the King III Code of Corporate Governance; however, we have nevertheless actively chosen to follow its prescriptions. We have also adopted a host of risk-related policies and protocols which are designed to promote or guarantee the sustainability of the organisation as a business. We know that it is in the best interests not only of our own business, but of the community and country we call home.

PLANET

Sustainability goes beyond "going green" or recycling, a misconception many still face today. When it comes to the Planet pillar, it is about leaving our environment in a better state than we found it. As a Financial Services company, we recognise that by changing our corporate behaviour, we can contribute towards a sustainable planet. We value that even the smallest act can make a difference, and even a single influence on another individual or fellow corporate can wield great impact. We have long conducted Environmental Impact Assessments of our new property investments and developments, but now we are doing even more. We are changing our very outlook on how we inhabit and treat our planet, so that we can take necessary action to leave better footprints where we tread.

Our philosophy of entrenched sustainable practice throughout our business and our actions is similarly entrenched in the work of the BIHL Trust. A report on the work of BIHL Trust follows, in the coming pages.

BOARD OF DIRECTORS

Batsho Dambe-Groth (51) +++

Board Chairman, BIHL Group

Batsho Dambe-Groth was appointed to the BIHL Board as an Independent Non-Executive Director and Chairperson 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 DeBeers Botswana, and has progressed in the human resources field working in the mining, parastatal, insurance and financial services sectors. Batsho joined BIHL 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.

Mrs. Dambe-Groth is a Director of Botswana Oil and chairs the Human Resources and Nominations Committee. She is also a Director of Botswana Craft Marketing, Etsha Weavers Group, Boitekanelo, Gems of Kalahari, and is a Council Member of Maru A Pula School. Ms. Dambe-Groth 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 as a Certified Global Remuneration Profession from the World at Work professional compensation body.

Gaffar Hassam (41) ++

Board Member

Gaffar Hassam is an Executive at Sanlam Emerging Markets, focused on the Southern Africa Region. He is the Former Group Chief Executive Officer of BIHL, with a tenure that ended on 29th February 2016.

Mr. Hassam became a member of the BIHL Board on 01 December 2011.He joined the Group in 2003 as Botswana Life Insurance Limited Finance Manager and BIHL Company Secretary. Within the BIHL Group, he held the positions of Head of Finance and Actuarial Services, Chief Operating Officer and Group Finance and Operations Officer at Botswana Life Insurance Limited. Mr Hassam began his career with PricewaterhouseCoopers in Malawi and was transferred to the firm's Botswana Office in 2000. He has an MBA (Oxford Brookes); is a Fellow of Association of Chartered Certified Accountants (FCCA).

Mr. Hassam, is also a Director of Letshego Holdings Limited, Nico Holdings Limited and Grand Reinsurance Limited.

John Hinchliffe (60) +++

Chairman, Botswana Life
Chairman, Legal Guard

John Hinchliffe heads John Hinchliffe Consultants, an accounting and consulting practice in Gaborone. He was appointed to the BIHL Board on 01 June 2010.

He is also a Director of various other companies, including Development Securities (Pty) Limited; Nsenya (Pty) Limited; Portion 84 Mokolodi Sanctuary (Pty) Limited; Mokolodi Utilities (Pty) Limited; Kalahari Conservation Society; and Camphill Community Trust.

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 as Managing Director before re-establishing his consulting firm in 2005.

He is the Chairman of the Board of Botswana Life Insurance Limited (BLIL) and Legal Guard and was recently appointed to the Board of Botswana Insurance Company Limited (BIC), where he is also Chair of the Audit Committee. He has a BA (Econ) Honours degree from Manchester University and he is a Fellow of the Botswana Institute of Chartered Accountants (BICA) as well as being a fellow of the Institute of Chartered Accountants in England and Wales.

Gerrit van Heerde (49) ++

Board Member

Gerrit van Heerde is Group Executive: Client and Product Strategy for Sanlam Emerging Markets (Pty) Ltd. He was appointed to the BIHL Board on 30 June 2015. Mr van Heerde is a Fellow of the Institute and Faculty of Actuaries in the UK and of the Actuarial Society of South Africa. He joined Sanlam in 1993 and held various positions throughout the Group before being appointed as CFO of Sanlam Emerging Markets in 2012 and, subsequently, being appointed in his current position in 2015.

Mr. van Heerde serves as a Director on various boards in India and Botswana.

He 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.

KEY

Botswana Life | Bifm | Bifm Unit Trusts | Legal Guard

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

Mahube Chilisana Mpugwa (49) +++

Board Member

Mahube Mpugwa is Chairman and General Manager of Puma Energy Botswana (formerly BP Botswana). He is also a Director of Master Timber (Pty) Ltd. Mr. Mpugwa began his career in Public Relations at Botswana Development Corporation (BDC) and joined BP Botswana in 1998. Thereafter, he held various positions within BP Botswana and BP South Africa, before being appointed to his current position in 2008. He was appointed to the BIHL Board on 01 June 2010.

He has a BA (Hons) degree from the University of Windsor, Canada; a certificate in Business Leadership from the University of South Africa; and graduated with an MBA from Stratchclyde University's Graduate School of Business under the UK Government's Chevening Scholarship.

Lieutenant General

Tebogo Carter Masire (61)+++

Board Member

Lieutenant General Tebogo Carter Masire was appointed as an independent Non-Executive Director on 21 August 2015.

Lieutenant General Masire is the former Commander of the Botswana Defence Force and retired from the military in July 2012 after 5 (five) years as the Chief of the Defence Force. He holds a Diploma and BSc from Troy State University and an MBA from University of Southern Queensland Australia.

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)

Lieutenant General Masire is the Chairman of Air Botswana Board, Stockbrokers Botswana Board and THC Foundation. He is a member of the Presidential Task Team Vision 2036 and Patron of Botswana Sports Foundation Trust.

Catherine Lesetedi-Letegele (49) +

Group Chief Executive Officer

Catherine Lesetedi-Letegele is the Group Chief Executive Officer of Botswana Insurance Holdings Limited (BIHL), appointed in March, 2016. Catherine first joined the BIHL Group in June 1992 as a Supervisor. She was subsequently promoted twice during her period with the Group to Assistant Manager in 1998 and then Divisional Manager in 2000.

She left BLIL and joined AON Botswana as Senior Accounts Executive in October 2004 and was promoted two years later to General Manager of Life and Employee Benefits. In 2007, she returned to BLIL as Head of Corporate and High Value Business until March 2010 when she was appointed Acting Chief Executive Officer of the company until she was appointed to the substantive position in July 2010, she held this position for a period until February 2017 when she was appointed to her current position. Catherine currently serves on the Boards of Funeral Services Group Limited, Bifm Unit Trusts, Botswana Insurance Company Limited, Nico Life, Nico Pensions Company and Nico Holdings.

She holds a BA in Statistics and Demography (University of Botswana), MDP from the graduate school of business (University of Cape Town, as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies (UNISA). She has undertaken the Sanlam Executive Leadership Programme through the Gordon Institute of Business Science (July 2014). Catherine is also an Associate of the Insurance Institute of South Africa (AIISA).

Chandra Chauhan (54) +++

Chairman Bifm

Chandra Chauhan is a Chartered Accountant who trained and qualified with KPMG in the United Kingdom. A Zambian by birth, he became a naturalised citizen of Botswana and has over the years become a very successful entrepreneur and respected businessman. He was appointed to the BIHL Board on 20 April 2009.

He is currently 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. He was responsible for turning around and restructuring Sefalana and has seen its market capitalisation increase from P64 million in 2004 to its current capitalisation of just over P2.6 billion. He is the Chairman of the Board of Botswana Insurance Fund Management (Bifm). Mr. Chauhan has a B. Acc (Hons) from the University of Zimbabwe, ACA (England & Wales) and ACA (Botswana).

Andre Roux (55) ++

Board Member

Andre Roux was appointed as Chief Investment Officer of Sanlam Emerging Markets in 2012 and is also the Chief Investment Officer of SIM Namibia. Previously, Mr. Roux headed up the fixed interest team in South Africa for 9 years, during which he was also a member of Sanlam Investment Management's Asset Allocation, Credit and Asset, and Liability Committees. He was appointed to the BIHL Board on 04 July 2013.

Mr. Roux is Chairman of the BIHL Investment Committee. He holds a B.Comm (hons) (Economics) from University of Stellenbosch and an EDP from Manchester Business School.

MANAGEMENT TEAM

CATHERINE LESETEDI-LETEGELE (49)

Group Chief Executive Officer

Catherine Lesetedi-Letegele is the Group Chief Executive Officer of Botswana Insurance Holdings Limited (BIHL), appointed in March, 2016. Catherine first joined the BIHL Group in June 1992 as a Supervisor. She was subsequently promoted twice during her period with the Group to Assistant Manager in 1998 and then Divisional Manager in 2000. She left BLIL and joined AON Botswana as Senior Accounts Executive in October 2004 and was promoted two years later to General Manager of Life and Employee Benefits.

In 2007, she returned to BLIL as Head of Corporate and High Value Business until March 2010 when she was appointed Acting Chief Executive Officer of the company until she was appointed to the substantive position in July 2010, she held this position for a period until February 2017 when she was appointed to her current position. Catherine currently serves on the Boards of Funeral Services Group Limited, Bifm Unit Trusts, Botswana Insurance Company Limited, Nico Life, Nico Pensions Company and Nico Holdings.

She holds a BA in Statistics and Demography (University of Botswana), MDP from the graduate school of business (University of Cape Town, as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies (UNISA). She has undertaken the Sanlam Executive Leadership Programme through the Gordon Institute of Business Science (July 2014). Catherine is also an Associate of the Insurance Institute of South Africa (AIISA).

ANDRE BESTER (44)

Group Chief Financial Officer

Andre Bester was appointed as Group Chief Financial Officer on 1st September 2013. He began his career in 1995 with BDO Spencer Steward in Namibia, where he completed his audit and accounting articles in 1997. Thereafter, he joined Standard Bank Namibia for a three year period as financial manager until 2000, when he joined Ernst & Young (NZ) in their Auditing and Advisory division. He held this tenure for period of two years.

Andre also joined Old Mutual Namibia limited as enterprise risk manager in 2003 until 2005 when he relocated to Botswana for the setup of Bank Gaborone Limited, initially as project coordinator of the greenfield operations and Chief Financial Officer when the business became operational in 2006. He has a B.Com degree and Honours Degree in Management Accounting (University of Stellenbosch) and Accounting (UNISA) and is a member of the South Africa Institute of Chartered Accountants (SAICA), Chartered Institute of Management Accountants (CIMA) and the Botswana Institute of Chartered Accountants (BICA).

BILKISS MOORAD (50)

Chief Excecutive Officer, Bifm

Bilkiss Moorad was appointed Chief Executive Officer of Botswana Life in March 2016, and has over 25 years' experience in the finance industry. Bilkiss has participated in two successful start-ups – namely Liberty Life Insurance and Barclays Life – where she indisputably led both companies profitably. She is also the former CEO of Zurich Insurance Botswana, making her one of the few CEO's who has gained achievements in both the life and short-term insurance industries.

Bilkiss is passionate about Youth Empowerment & Entrepreneurship, Financial Literacy and Women & Men Empowerment. She is known for her involvement in women leadership coaching, as well as the youth mentoring programme where she grooms Batswana graduates for the finance industry.

Bilkiss is a former Board member of the National Board for the Red Cross Society and Botswana International University of Science and Technology (BIUST). In Addition, Mrs. Moorad is Chairperson of the Audit and Finance Committee of the Local Enterprise Authority (LEA) Board.

MANAGEMENT TEAM

NEO BOGATSU (42)

Chief Excecutive Officer, Bifm

Neo Bogatsu is an executive MBA graduate of the University of Chicago Booth of Business and holds a B.Com (Accounting) degree from the University of Botswana, where she graduated in 1996. Neo spent 5 years at Ernst& Young, where she trained and qualified to be a Chartered Accountant. She joined Barclays Bank of Botswana in 2001, where she held three managerial roles in the Finance department of the bank. As Head of Business Performances and Analytics, she gained experience in Management and Financial Accounting, Tax, Risk and Compliance.

Neo joined Bifm in the role of Chief Financial Officer in June 2011. In January 2013, she was appointed to the role of Chief Financial & Operations Officer. She was then appointed to the role of Acting Chief Financial Officer in March 2015. Neo was appointed CEO in December 2015.

Neo is a finance professional with in-depth experience in Strategic Planning, Project Management, Business performance and management. Years of experience with banking and financial institutions operations have provided a solid foundation for her career as an accountant and business leader. Neo is a fellow member of the Association of Chartered Certified Accountants (FCCA); Botswana Institute of Chartered Accountants; and Botswana Institute of Bankers.

MIKE DUBE (50)

General Manager, Legal Guard

Mike Dube is the General Manager of BIHL Insurance Company, trading as Legal Guard, the biggest legal expense insurance provider in Botswana. This is a position he assumed in October 2014. Before then, Mike held the position of Chief Financial Officer. He joined BIHL in July 2013 from CEDA, where he spent almost seven years as Finance Manager rising up to the potion of Deputy Chief Executive Officer (Corporate Services) before joining BIHLIC. In June 2014, following the need to restructure BIHLIC, which included selling one part of the business, Mike was assigned to Legal Guard to restructure Legal Guard, the remaining part of BIHLIC business which was experiencing a number of challenges delivering on its mandate and providing a return to its investors. Mike was confirmed as the General Manager of Legal Guard in October 2014.

He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a B.Com (Accounting & Management) from the University of Botswana. He has extensive experience in finance and accounting, having worked in several large private entities and notable parastatal corporations in Botswana, as well as serving on a number of Boards.

ONTHUSITSE MAX MOSIAKGABO (41)

Group Head of Human Resources

Onthusitse Max Mosiakgabo, a passionate HR specialist with over 15 years' extensive experience in the various HR fields, was appointed Group Head of Humana Resources on 1st June 2013 after acting in the role from March 2013.

Max joined BIHL Group in 2010, where he held the Learning and Organisation Development Specialist position. Prior to joining the BIHL family, Max worked for First National Bank Botswana as a Training Officer (Management Programmes) for 4 years and later as a Manager Human Capital Development for 2 years. He later joined Debswana – Orapa & Letlhakane Mines- where he spent 2 years as an Organisational Effectiveness (OE) and talent Advisor.

Earlier in his career, Max participated in a Cultural Exchange programme that shaped and firmed his career in the Human Resources field where he spent 5 months in Ericsson Telecomm, Hungary, as a Researcher Trainee via the AIESEC Exchange Programme. Returning to Botswana, his career quickly picked up as he joined First National Bank Botswana Limited as an Executive Trainee and, later, HRMS as a Junior Consultant. Max graduated from the University of Botswana in 1999 with a BA Degree and is a graduate of the UCT Graduate School of Business New Manager's Programme. He also completed short courses in Strategic Management, Employment Management and Small Medium Enterprises Management through UNISA. He is a member of the Society of Human resources Management (SHRM).

Corporate Social Investment Report

BIHL TRUST

2016 was a watershed year for the BIHL Trust. During this year, significant attention was paid to the development of a new strategy for the period 2017 – 2021. The strategy will enable the Trust to make the most meaningful and sustainable contribution to Botswana well into the future.

The BIHL Trust strategy, which aligns with the new Group strategy, was formulated towards the end of the review period. It was submitted to the Group Board for approval early in 2017. The overarching focus of the strategy is on youth and youth development. This would be delivered, as articulated in the strategy, through several key initiatives.

While we were mindful of the need to develop a new, more focused strategy, the BIHL Trust also could not disregard the momentous occasion in 2016 that was Botswana's 50th Independence. Thus, we were proud to contribute to the 50th Anniversary celebrations as a unique aspect outside of the new strategic imperatives.

The Trust has six strategic focus areas for 2017-2021. These, as dictated in the strategy, are as follows:

- **Economic Empowerment:**
  Our goal is to provide talented, innovative individuals, and unemployed youth in particular, with opportunities to develop their skills and gain entrepreneurial experience.
- **Education:**
  We will continue with the initiatives we have undertaken such as the BIHL Trust Thomas Tlou Scholarship, Literacy programme and assisting the existing schools which have adopted and installed libraries with further needs.
- **Social Upliftment:**
  Our three-year commitment to the Presidential Housing Appeal – at a rate of P500,000 per year – will come to an end in 2017. Going forward, our social upliftment focus will be directed through the BIHL staff-driven "Hands that Give" programme. This requires staff within our subsidiaries to identify projects they would like to support. In 2016, for example, one of these projects involved building a house for a former Botswana Life employee who had lost her sight.
- **Public Health:**
  With life insurance being the biggest driver of the Group's operations, it makes sense for BIHL to support projects involved in public health. This is a new venture for the BIHL Trust but one which we feel deserves our attention.
- **Recreation:**
  Our initial focus here will be to encourage children in primary school to participate in sport.
- **Conservation of the environment:**
  In the past, contributed to the conservation of rhinos through the promotion of awareness campaigns in Gaborone, Francistown and Maun. Our new strategy is to expand this campaign. We will also be directing our focus internally by looking at ways in which the entire BIHL Group can become more "green" and environmentally aware.

The Trust's decision came in consideration of factors including the consideration of pressing social needs of Batswana, the extent to which private sector aid is required, and communities in which BIHL Group operates where community resources are limited. In addition, the Trust will support projects where the Group can make a sustainable impact in the lives of Batswana. The 5-year strategy sought to also align with Botswana Government's Vision 2036 and the United Nations Sustainable Development Goals.

Going forward with the new strategy, the Trust will work on extending reach in a manner that has even greater sustainable impact. In particular, the Trust will focus supporting projects concerning the education sector, as we believe supporting knowledge and skills development is the foundation for empowering Batswana to be active participants in other sectors of the economy.

CSI in Action at BIHL

1

BIHL BOT50 FAN PARK

BIHL collaborated with the Ministry of Youth, Sports and Culture (MYSC), councillors, Village Development Committee (VDC) members, Captive Eye Youth Movement and the Botswana Police Service, to host a BOT50 Fan Park for the Gaborone West community during our National Golden Jubilee celebrations. The Fan Park featured live streaming of the celebrations that took place from the National Stadium. We worked with VDC representatives from across all 10 wards of Gaborone West to partner with merchants from the area to sell food, beverages, child edutainment services and other provisions to the Fan Park audience. Members of the community provided ushering and cleaning services, ensuring creation of short-term jobs for the community to benefit over Boipuso, while in turn ensuring town facilities were well handled.

2

TEACHERS APPRECIATION AT CHAKALOBA

BIHL Trust engaged with Chakaloba Primary School in Topisi village, attending a Teacher Appreciation Day at the school. The Trust donated reading books valued at P65,000 to help the students practice and improve their reading skills. Previously, Chakaloba Primary School through the Adopt-A-School initiative, received from BIHL Trust in partnership with Sebilo Books, a fully-fledged library. BIHL Trust recognised the teachers of Chakaloba for truly embracing the Literacy Training Programme and ensuring that they utilise the course to change the lives of their students. We hope that this gesture will further motivate our schools to emulate Chakaloba Primary School's example of the power on investing in one's education.

3

GROWING OUR STEPPING STONES WORK

Established in 2014, our partnership with Stepping Stones International was initially focused on empowering and equipping teachers. We aimed to ensure they had the requisite skills and resources that they needed to foster greater English literacy levels within the schools we adopted. Fast forward to two years later, and the results have been inspiring. Because of this success, we have signed a Memorandum of Understanding with the Ministry of Education, through which the Stepping Stones literacy programme is being rolled out to young people who are part of the country's out-of-school programme. Stepping Stones is training the programme's trainers. In addition, the literacy programme is set to be offered as a programme within the University of Botswana.

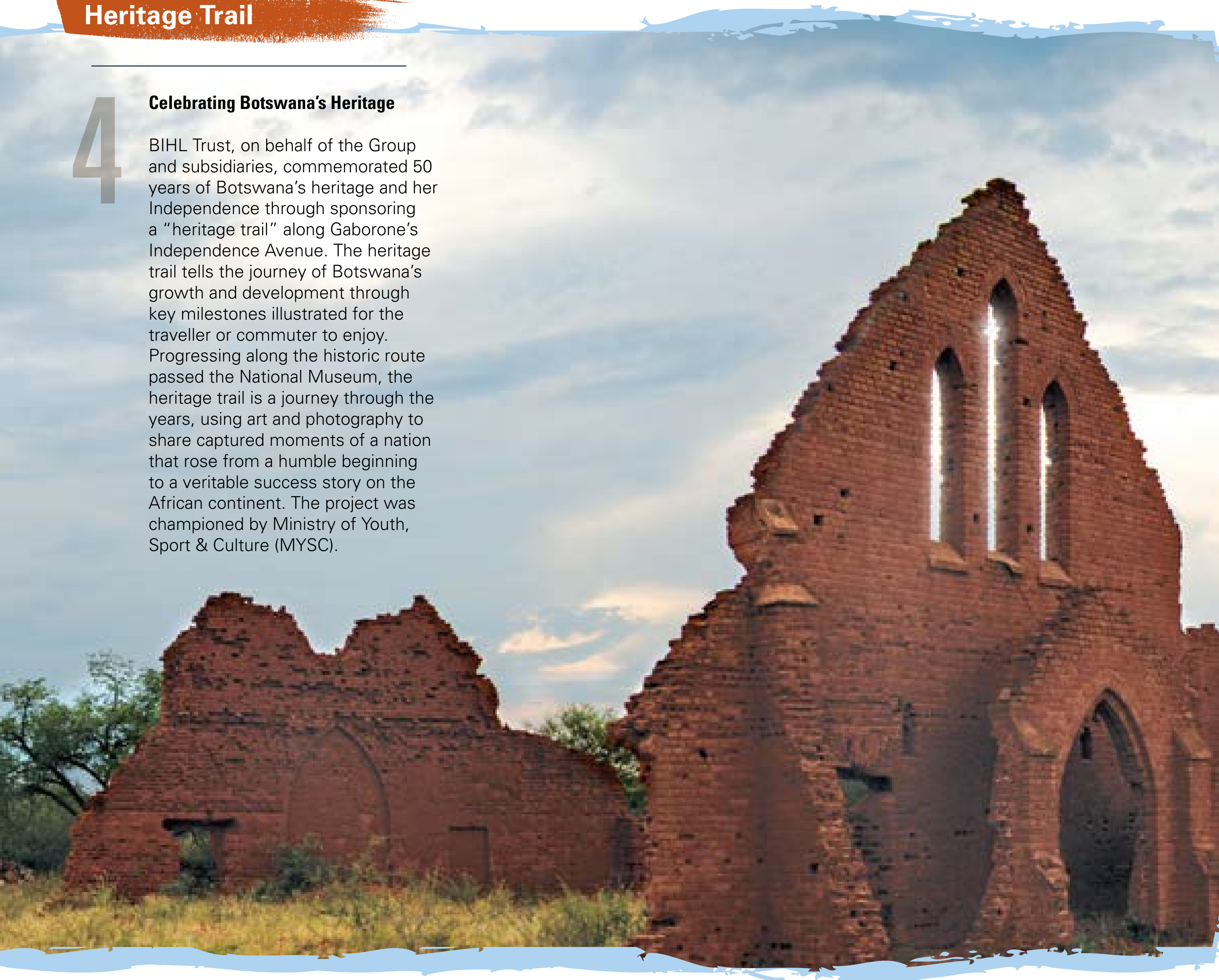
CORPORATE SOCIAL INVESTMENT

Heritage Trail

4

Celebrating Botswana's Heritage

BIHL Trust, on behalf of the Group and subsidiaries, commemorated 50 years of Botswana's heritage and her Independence through sponsoring a "heritage trail" along Gaborone's Independence Avenue. The heritage trail tells the journey of Botswana's growth and development through key milestones illustrated for the traveller or commuter to enjoy. Progressing along the historic route passed the National Museum, the heritage trail is 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 Ministry of Youth, Sport & Culture (MYSC).



5

Hands That Give

The Hands That Give campaign, an internal CSI campaign run during 2016 proved to be a phenomenal success. Being a part of Hands That Give was about making a difference for those around us in a truly substantive and impactful way. Through this staff voluntary initiative, we brought to life in yet another way our passion for giving back. Across our BIHL Group family, we picked charities, NGOs, organisations and individuals to help, with P5,000 to implement the projects. Special congratulations went to the winning entry, titled "WeSmile." WeSmile is a community development project offering material and non-material support to families in need, having observed gaps within communities in education and social needs.

6

Thomas Tlou Scholarship Award

Onalenna and Olorato Set Sights on Higher Learning; Awarded BIHL Trust Thomas Tlou Scholarship

BIHL Trust continues to champion greater education and access to higher learning through the Thomas Tlou Scholarship. 2016's recipients for the competitive scholarship opportunity were, after rigorous assessment, named as Ms. Onalenna Majaye and Ms. Olorato Sumbolu. Onalenna and Olorato will benefit from the scholarship to cover their full time Master's Degrees in Education (counseling and human studies) and (MA) Development Practice, respectively. This is the 4th consecutive year in which recipients of the scholarship have been named, with a total of 18 recipients to date.

7

Strengthening Adopt-A-School Numbers

During the year, we increased the number of schools supported by the BIHL Trust as part of the Ministry of Education's Adopt-a-School project. We increased the number of schools "adopted" from eight to 11. Each of these schools receives a fully equipped library as part of our unwavering investment in education. However, we don't just install a library and walk away. Together with our literacy programme partner, Stepping Stones International, we monitor the utilisation of the library and evaluate the relevance of the books provided to the pupils' needs.

8

President's Day Competition

BIHL Trust Shines Spotlight on History and the Arts

In collaboration with the Ministry of Youth, Sport & Culture (MYSC), BIHL Trust partook in the historic BOT50 commemorations through sponsoring prizes at the 2016 President's Day Competitions. This built upon sponsorship of prizes at the official opening of the National Art, Basket & Craft Exhibition at the National Museum in July 2016. The competitions were held under the theme "Towards Artistic Excellence by 2016." BIHL Group CEO, Catherine Lesetedi-Letegele bestowed the awards in the following Visual Arts categories: Traditional Poetry, Leatherwork, Woodcarving, Beadwork, Lekgapho, and Basket Weaving.

"We are acutely aware of what this means in the degree of responsibility we have to our people. It is a responsibility we take with the utmost seriousness"

04
CORPORATE GOVERNANCE

We believe in strong, sound corporate governance at the centre of our business, and as influential over all that we do. This means constantly introspecting, measuring and improving upon our efforts.

Corporate Governance Report

Statement of Commitment

The Group is dedicated to the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for our shareholders and stakeholders.

BIHL is committed to business integrity and professionalism in all activities. As part of this, the Board supports the highest standards of corporate governance and the development of best practice.

The Board believes that BIHL 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 and King III.

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.

THE BOARD'S GOVERNANCE AND STRUCTURE

BIHL is governed by a Board which, in terms of the Group's constitution, must comprise at least four and not more than 12 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.

The roles of the Chairperson 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
- Investment Committee (ad hoc committee)
- Nominations Committee (ad hoc committee)
- 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;
- Three Non-Executive Directors; and
- One Executive Director.

The Chairperson 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 BIHL. Non-Executive Directors have the opportunity to meet separately without the BIHL Chief Executive Officer as and when circumstances warrant.

Definition of independence
For the purpose of this report, Directors are classified as follows:
Executive Directors are involved in the day-to-day management of BIHL and are in its full-time employ;
Non-Executive Directors include directors who may be nominees of, or represent, a shareholder; and
Independent Non-Executive Directors are those Directors who are neither involved in the day-to-day management of BIHL, nor nominees of, nor represent, a shareholder.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 BIHL.

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 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 whole Board, assisted by the Nominations Committee. All BIHL Directors are subject to an annual performance evaluation. Succession planning is also reviewed regularly.

During this financial year, the following appointments and resignations took place:

Appointments

Mrs. Catherine Lesetedi-Letegele was appointed as the Chief Executive Officer (executive director) on 1 March 2016.
Resignations
Mr. Heinie Werth resigned as a Non-Executive Director on 17 February 2016.

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 Annual General Meeting (AGM).

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

The Board, which comprises a majority of Non-Executive Directors, reviews the status of its members on an on-going basis.

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 meeting	Audit and Risk Committee	Human Resources Committee	Investment Committee
B. Dambe-Groth	4/4	n/a	4/4	n/a
C. Chauhan	4/4	4/4	n/a	n/a
J. Hinchliffe	4/4	4/4	n/a	n/a
M. Mpugwa	4/4	n/a	n/a	1/1
G. van Heerde	4/4	4/4	4/4	1/1
A. Roux	4/4	n/a	n/a	1/1
LT. General T Masire	3/4	n/a	n/a	n/a
G. Hassam	2/4	n/a	2/3	n/a
H. Werth (resigned)	-	n/a	1/1	n/a

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.

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, with the exception of Audit and Risk, which is chaired by a Non-Executive Director until a suitable individual with the right skills and experience is identified. 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 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

MR GERRIT VAN HEERDE

MEMBERS:
Mr. Gerrit van Heerde (Chairman), Mr. John Hinchliffe, Mr Chandra Chauhan, Ms. Lizelle Nel (Alternate)

AUDIT AND RISK COMMITTEE

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

The Committee has a formal written charter which sets out its responsibilities and is reviewed annually. The Committee meets at least four times per annum. The internal and external auditors attend these meetings and have unrestricted access to the chairperson of the sub-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, other relevant legislation, and the common law, with regard to the business of BIHL. In particular, 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 Committee also evaluates BIHL's exposure and response to significant risks, including sustainability issues.

COMMITTEE CHARTER ✓ | ALL MEETINGS HELD ✓ | ATTENDANCE RECORD 100%

INVESTMENT COMMITTEE

The BIHL Investment Committee meets on an ad hoc basis to evaluate investments for both BIHL and policyholders, the mitigation of investment risks, and ensuring that proper governance has been followed in making investment decisions.

A credit sub-committee meets in tandem with the Investment Committee to review, set policies for, assess, approve and monitor specific counterparty credit risk as well as to manage the credit risk inherent in the investment portfolios on an on-going basis.

COMMITTEE CHARTER ✓ | ALL MEETINGS HELD ✓ | ATTENDANCE RECORD 100%

MR ANDRE ROUX

MEMBERS:
Mr. Andre Roux (Chairman), Mr. Mahube Mpugwa, Mr Gerrit Van Heerde.

MRS BATSHO DAMBE-GROTH

MEMBERS:
Mrs. Batsho Dambe-Groth (Acting Chairman), Mr. Gerrit van Heerde, Mr. Gaffar Hassam

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 BIHL and for approval of guidelines for incentive schemes and the annual determination of remuneration packages for BIHL's Exco. The 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 Group Human Resources attend the meetings by invitation.

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

COMMITTEE CHARTER ✓ | ALL MEETINGS HELD ✓ | ATTENDANCE RECORD 94%

CORPORATE GOVERNANCE REPORT (CONTINUED)

INDEPENDENT REVIEW COMMITTEE

In order to enhance the governance structures within BIHL and any other matters referred to it by the Board or any of its subcommittees, the Board constituted 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.

COMMITTEE CHARTER ✓ | ALL MEETINGS HELD ✓ | ATTENDANCE RECORD 100%

MR. JOHN HINCHLIFFE

MEMBERS:
Mr. Chandra Chauhan

MR. CHANDRA CHAUHAN

MEMBERS:
Mrs. Batsho Dambe-Groth
Mr. Gaffar Hassam

NOMINATIONS COMMITTEE

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

They regularly review the structure, size and composition of the Board and its Committees and make recommendations to the Board.

The Committee meets as and when appropriate.

COMMITTEE CHARTER ✓ | ALL MEETINGS HELD ✓ | ATTENDANCE RECORD 100%

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

REMUNERATION PHILOSOPHY

The responsibility for the BIHL remuneration strategy resides with the Human Resources Committee, which also approves mandates for incentive schemes within BIHL and determines the remuneration of Executive Committee members, relative to local and international benchmarks. It also makes recommendations to the Board regarding the remuneration of directors. The Board remains convinced that appropriate remuneration for Executive Directors is inextricably linked to the development and retention of top-level talent and intellectual capital within BIHL.

EMPLOYEE REMUNERATION

The following principles are used to determine appropriate remuneration levels:

- All remuneration principles are structured to provide clear differentiation between individuals in respect of performance and capability.
- A clear and meaningful distinction is made between high performers, average performers and underperformers, with remuneration reflecting these gradients.
- Strong incentives are created for superior performance.
- Top contributors are awarded significantly higher performance bonuses.
- Underperformers are not rewarded and active steps are taken to encourage the individual either to improve performance or leave BIHL, in line with the provisions of the prevailing labour legislation and accepted practices.

EXECUTIVE DIRECTORS

The 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 traveling and accommodation expenses in respect of Board and sub-committee meetings.

LEAD INDEPENDENT DIRECTOR

Mr. Chandra Chauhan is the BIHL Board's Lead Independent Director.

The Lead Independent Director presides in meetings where the Chairperson of the Board is absent and acts as a liaison between the Chairperson of the Board and the Independent Non-Executive Directors.

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	Total
B. Dambe-Groth	85,000	141,750	n/a	69,300	55,124	130,000	23,625	504,799
C. Chauhan	65,000	110,250	69,300	n/a	70,876	130,000	18,375	463,801
J. Hinchliffe	65,000	110,250	69,300	n/a	159,471	n/a	18,375	422,396
M. Mpugwa	65,000	110,250	n/a	n/a	55,124	n/a	145,950	376,324
LT. General T Masire	65,000	91,875	n/a	n/a	n/a	n/a	18,375	175,250
**A. Roux	65,000	73,500	n/a	n/a	55,124	n/a	171,171	364,795
**G. Hassam	65,000	36,750	n/a	42,525	41,343	130,000	n/a	315,618
**G. van Heerde	65,000	73,500	79,800	56,700	55,124	n/a	18,375	348,499
**H. Werth	-	-	-	14,175	-	-	-	14,175

** Fees paid for the services of these Directors are paid to their respective companies and not to the individuals.
Executive Directors' remuneration is disclosed on note 19 of the Annual Financial Statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

BIHL 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 19 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, Mrs. Rorisang Modikana, and are entitled to obtain independent and professional advice at BIHL's expense.

STATUTORY ACTUARY

Mr. Giles Waugh 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.

COMMUNICATION WITH STAKEHOLDERS

BIHL is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest. These include statutory, regulatory and investor-relations issues, together with other directives, pronouncements and press releases regulating the dissemination of information by BIHL and its directors, employees, officers and other authorised persons. Communications also include the rationale behind major new business developments. Financial results presentations are made every six months. 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, it is accompanied by a full explanation of the implications of the proposed resolution. In the course of the Annual General Meeting, as at other shareholder meetings, the Chairman provides reasonable time for discussion. Shareholders are always encouraged to attend the Annual General Meeting.

FORENSICS

BIHL recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the code of ethics, 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/

CORPORATE GOVERNANCE REPORT (CONTINUED)

reviewing the risk universes at the businesses.

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.

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 co-ordinated at Sanlam Group level by the audit executive of Sanlam Limited. Regular risk-focused reviews of internal control and risk management systems are carried out. The Chief Audit Executive of Sanlam Limited is appointed in consultation with the chairman of the Sanlam Audit and Risk Committee and has unlimited access to the chairman of the BIHL Audit and Risk Committee. The authority, resources, scope of work and effectiveness of this function is reviewed regularly. BIHL recently appointed a senior internal audit resource locally.

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

The Company Secretary is Mr. Haig Ndzinge, and is appointed by the Board. All Directors have unlimited access to the advice and services of the Company Secretary, 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 2016 financial year. Their statement in this regard is also contained in the statement of Directors' responsibility for Annual Financial Statements.

King III Integrated Report Checklist

Over the years, BIHL Group has prided itself as a trailblazer in terms of Corporate Governance. We do this as anything less would not do justice to the many thousands of shareholders that have entrusted us with their valuable investment.

Our North Star towards Best Practice in Corporate Governance remains the King III standards. The Kings III standards were current during this reporting period under review. The King IV reporting standards have since become available. BIHL Group has already begun the process of reviewing these standards for use in the next reporting period. What the King Reports have done for businesses across the planet is provide a suggested approach to achieve maximum transparency. In light of transgressions of major organisations in years past, the world is abundantly aware of the dangers of anything less than maximum disclosure.

At the core of the King III requirements is what is called the Integrated Report. Chapter 9 of the King III Code states that companies should prepare Integrated Reports every year, which should convey adequate information about the operations of the company, the sustainability issues pertinent to its business, the financial results and the results of its operations and cash flows. The Integrated Report is expected to be focused on substance over form and should disclose information that is Complete, Timely, Relevant, Accurate, Honest, Accessible and Comparable with the past performance of the company, and should also contain forward-looking information.

With this overarching requirement, we have developed a checklist directly from the King III Code on Corporate Governance, which aims to consolidate all the Integrated Reporting Disclosure requirements prescribed by King III. This Integrated Reporting Disclosure checklist is not representing the Corporate Governance Requirements as prescribed, but is rather an extract of the disclosure requirements only.

Two years ago, we took a bold step and set the mark by including our Integrated Reporting Checklist. This was a first in Botswana and this year remains no different for us as we include it again (pages 92-98). This checklist provides a yardstick of how well we are doing against what is considered world best practice. Readers will see that the BIHL Group on the whole is very well aligned to what King III recommends. Where we feel we can do better or are not aligned plans are in place to tackle and improve. One will note the many improvements we have achieved since last year.

We have always been abundantly aware of the enormous responsibility we carry as BIHL Group towards the many investors, partners, shareholders and policyholders of which expect us to ensure we are here into the future. It is with this background that we will continue to improve how we tackle Corporate Governance. We aim to do more than what is required of us.

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 1 - ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP						
1.1. The Board should provide effective leadership based on an ethical foundation.	The Directors Code of Ethics has been endorsed by the Board.	Full	Full	Full		
1.2. The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board recognises its obligation to contribute to socio economic goals and accordingly conducts its business through operating policies that address the potential environmental impacts of its business activities.	Full	Full	Full		
1.3. The Board should ensure that the company ethics are managed effectively.	The Board has endorsed the Directors Code of Ethics.	Full	Full	Full		
CHAPTER 2 - BOARDS & DIRECTORS						
2.1. The Board should act as the focal point for and custodian of corporate governance.	The Board is committed to and fully endorses the principles of Corporate Practices and Conduct.	Full	Full	Full		
2.2. The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board has achieved it through the establishment of the Audit and Risk Committee which encompasses the Combined Assurance Model	Full	Full	Full		
2.3. The Board should provide effective leadership based on an ethical foundation.	The Board is committed to the highest standard of integrity and ethical conduct. This commitment is confirmed by the Boards endorsement of the Code of the Code of Ethics for the Group.	Full	Full	Full		
2.4. The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	The Board has incorporated the BIHL Trust and contributes 1% of its profits after tax to initiatives undertaken by the Trust.	Full	Full	Full		
2.5. The Board should ensure that the company's ethics are managed effectively.	The Board reviews its charters at least once a year, and ensure that to the greatest extent possible, elements of King III are incorporated.	Full	Full	Full		
2.6. The Board should ensure that the Company has an effective and independent audit committee.	The Audit and Risk Committee comprises 2 Non-Executive Directors, 2 Independent Non-Executive Directors.	Full	Full	Full		
2.7. The Board should be responsible for the governance of risk.	The Risk Department reports directly to the Board through the Audit and Risk Committee.	Full	Full	Full		
2.8. The Board should be responsible for Information Technology (IT) governance.	The IT Governance Charter is in place.	Full	Full	Full		
2.9. The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Compliance function has a compliance framework through which monitors compliance.	Full	Full	Full		

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full Partial None

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 2 - BOARDS & DIRECTORS (continued)						
2.10. The Board should ensure that there is an effective risk-based Internal Audit.	The Group is audited regularly by Sanlam internal auditors who audit in accordance with appropriate risk based methodologies.					
2.11. The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	The Board manages market and stakeholder perceptions in accordance with a broad based Group-wide communications and Public Relations strategy.				.	
2.12. The Board should ensure the integrity of the Company's Integrated Report.	The Board reports annually on the performance of the Company issues of corporate governance and annual financial statements in the Annual Report. Additionally preparation of this Annual Report is in compliance with the principles of good corporate governance.					
2.13. The Board should report on the effectiveness of the company's system of internal controls.	The Board, through the Audit and Risk Committee ensures that the internal controls and risk management practices are aimed at safeguarding its assets and resources. These internal controls are reviewed at least once a quarter.					
2.14. The Board and its Directors should act in the best interests of the Company.	Every Director upon appointment is given an information pack comprising duties of a director in terms of the Companies Act, the Company's constitution, and the latest available annual report. In addition the Directors fill in declarations of interest register once a year.					
2.15. The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Assessments (going concern review) are done once a year as to whether the Group and each significant subsidiary is a going concern.					
2.16. The Board should elect a Chairman of the Board who is an independent Non-Executive Director. The CEO of the company should not also fulfil the role of Chairman of the Board.	The Chairman of the Group and the Chairman of each significant subsidiary are independent Non-Executive Directors. The CEO of the Group is also not the Chairman of the Board. The same applies at each significant subsidiary.					

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 2 - BOARDS & DIRECTORS (continued)						
2.17. The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	The Board has appointed a CEO and the approval frameworks have been adopted at both the Group and significant subsidiaries at the August Board meeting sittings. The adopted approval framework is reviewed annually and can be updated on an ad hoc basis.					
2.18. The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Currently the Board comprises 8 Non-Executive Directors out of a Board of 9 Directors. Of the Non-Executive Directors, 5 are Independent.					
2.19. Directors should be appointed through a formal process.	Directors are appointed through a formal process.					
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes.	This is done on an ongoing process					
2.21. The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	The appointment of the Company Secretary complies with the provisions of the Companies Act.					
2.22. The evaluation of the Board, its committees and the individual directors should be performed every year.	Evaluations of each of the Boards and its Committees are done annually.					
2.23. The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	All Board sub-committees' Chairs and Chairs of the main subsidiaries are members of the Board and report to the main Board as a permanent agenda item.					
2.24. A governance framework should be agreed between the Group and its subsidiary boards.	The Group has adopted a compliance statement based on the code published by the Financial Reporting Council of the UK					
2.25. Companies should remunerate directors and executives fairly and responsibly.	Director's remuneration is reviewed regularly to ensure that it is market related and fair.					
2.26. Companies should disclose the remuneration of each individual Director and certain Senior Executives.	There is full disclosure of director's remuneration in the annual report.					
2.27. Shareholders should approve the Company's remuneration policy.	The Company's remuneration policy is approved by the Board				Shareholders approve Board remuneration and excecutive remuneration is approved at HR committee level.	

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 3 - AUDIT COMMITTEES						
3.1. The Board should ensure that the Company has an effective and independent Audit Committee.	The Board has an effective and independent Audit and Risk Committee in place.	Full	Full	Full		
3.2. Audit Committee members should be suitably skilled and experienced independent Non-Executive Directors.	Both independent Non-Executive Directors that sit on the Committee are experts in their fields.	Full	Full	Full		
3.3. The Audit Committee should be chaired by an Independent Non-Executive Director.	Currently the Committee is chaired by a Non-Executive Director.	Partial	Partial	Partial	Chairman of the Audit and Risk Committee is required to have an actuarial background, therefore this will not change in the medium term	
3.4. The Audit Committee should oversee integrated reporting.	The Annual Report is fully compliant with the key principles of integrated reporting.	Full	Full	Full		
3.5. The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The BIHL CAM.	Full	Full	Full		
3.6. The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Suitably qualified individuals have been appointed to oversee all financial aspects of the Company.	Full	Full	Full		
3.7. The Audit Committee should be responsible for overseeing of Internal Audit.	Internal Audit reports into the Audit and Risk Committee.	Full	Full	Full		
3.8. The Audit Committee should be an integral component of the risk management process.	Currently the Committee establishes the extent to which management has established effective risk management in the Group by reviewing the risk policy and strategies for the Group.	Full	Full	Full		
3.9. The Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Committee makes recommendations to the Board regarding the appointment of the External Auditors. The Committee also reviews the external audit plan to ensure that key significant areas are covered.	Full	Full	Full		
3.10. The Audit and Risk Committee should report to the Board and shareholders on how it has discharged its duties.	The Chairperson of the Committee reports to each Board meeting and give feedback from the Committee's findings and recommended actions.	Full	Full	Full		

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 4 - THE GOVERNANCE						
4.1. The Board should be responsible for the governance of risk.	BIHL Risk Assurance Framework, which includes the Risk Management Policy is in place. The Policy isreviewed annually.	Full	Full	Full		
4.2. The Board should determine the levels of risk tolerance.	Group risk appetites and thresholds are reviewed and approved annually.	Full	Full	Full		
4.3. The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	The Audit and Risk Committee has been delegated through the Audit and Risk Committee Charter and discusses the Risk Reports quarterly during Audit and Risk Committee meeting.	Full	Full	Full		
4.4. The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Audit and Risk Committee has been delegated through the Audit and Risk Committee Charter and monitors risk through the risk management plan in terms of the Risk Policy.	Full	Full	Full		
4.5. The Board should ensure that risk assessments are performed on a continual basis.	Risk assessments are conducted continuously in terms of the risk management plan and reported through the Risk Report. Self–assessments of the risk management framework are conducted and the result shared with the Board.	Full	Full	Full		
4.6. The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Risk is identified, assessed and monitored in accordance with the risk management process in terms of the Risk Policy.	Full	Full	Full		
4.7. The Board should ensure that management considers and implements appropriate risk responses.	Risk reports indicating identified risks and management action by management is submitted to the Board quarterly.	Full	Full	Full		
4.8. The Board should ensure continuous risk monitoring by management.	The Board reviews the management action on the quarterly Risk Report	Full	Full	Full		
4.9. The Board should receive assurance regarding the effectiveness of the risk management process.	A self–assessment exercise is conducted annually and the results shared with the Board.	Full	Full	Full		
4.10. The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	A combined assurance model (CAM) exercise is conducted and the results shared with the Board.	Full	Full	Full		

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 5 - THE GOVERNANCE OF INFORMATION TECHNOLOGY						
5.1. The Board should be responsible for Information Technology (IT) Governance.	The BIHL IT Governance Charter. This sets out Boards responsibilities with respect to IT. Tight-loose matrix was delivered. On-going reporting at each Board meeting.					
5.2. IT should be aligned with the performance and sustainability objectives of the Company.	IT department is represented at all subsidiary (business) strategy meetings in order that implementation of the business strategy is known and prepared for by IT. Each subsidiary has an EXCO member who sits on the Group IT Steerco and is responsible for IT strategy.					
5.3. The Board should delegate to management the responsibility for the implementation of an IT Governance Framework.	There is an IT Steering Committee and various project Steerco's. IT Governance is executed through these as well as Excos, Mancos.					
5.4. The Board should monitor and evaluate significant IT investments and expenditure.	Approval for significant IT projects is sought from the Board. The Board is kept informed on project progress by the project owner. Done on an ongoing basis					
5.5. IT should form an integral part of the company's risk management.	Done on an ongoing basis					
5.6. The Board should ensure that information assets are managed effectively.	The Board relies on Internal Audit to monitor but information is rigorously archived and retained far beyond the statutory 7 year requirement on the IT Platform. Information Security is not only about information in computers.					
5.7. A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Reporting on IT is done through the Audit and Risk Committee.					
CHAPTER 6 - COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS						
6.1. The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Compliance Policy approved is in place. The Policy is reviewed annually.					
6.2. The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	This is done as part of the induction of Directors, and on an ongoing basis.					
6.3. Compliance should form an integral part of the Company's risk management process.	Implementation of the approved Compliance Policy has been done through presentations of various compliance tools forming part of the Policy to relevant stakeholders at the businesses. A Compliance Framework has been developed and presented for adoption					
6.4. The Board should delegate to management the implementation of an effective Compliance Framework and processes.	Compliance Framework developed in line with Compliance Policy has been shared with relevant stakeholders at the businesses for adoption.					

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2014	2015	2016	Action plans for remaining issues	Due dates
CHAPTER 7 – INTERNAL AUDIT						
7.1. The Board should ensure that there is an effective risk-based internal audit.	There is an internal audit function provided by Sanlam. A senior local resource is also in place.	Full	Full	Full		
7.2. Internal audit should follow a risk-based approach to its plan.	Internal audit follow a risk-based approach.	Full	Full	Full		
7.3. Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Internal audit provides a written assessment of the controls on an annual basis.	Full	Full	Full		
7.4. The Audit Committee should be responsible for overseeing internal audit.	Internal audit reports directly to Audit and Risk Committee quarterly and their annual plan and budget are approved by the Audit and Risk Committee.	Full	Full	Full		
7.5. Internal Audit should be strategically positioned to achieve its objectives.	The Internal Audit is strategically positioned to achieve its objectives.	Full	Full	Full		
CHAPTER 8 - GOVERNING STAKEHOLDER RELATIONSHIPS						
8.1. The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	The Group is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest.	Full	Full	Full		
8.2. The Board should delegate to management to proactively deal with stakeholder relationships.	Management has been delegated the powers to deal with directives, financial results presentations, press conferences, personal meetings, client briefings, annual reports and preparations for the annual and other general meetings.	Full	Full	Full		
8.3. The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	The Board has the responsibility to ensure that satisfactory and transparent engagement takes place with all stakeholders.	Full	Full	Full		
8.4. Companies should ensure the equitable treatment of shareholders.	The Board ensures that key company information is disseminated to all stakeholders at the same time.	Full	Full	Full		
8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	There is the Annual Report, AGM and results announcements, and other press briefings.	Full	Full	Full		
8.6. The Board should ensure that disputes are resolved effectively, efficiently and expeditiously as possible.	The Board takes a keen interest in ensuring that material disputes are resolved amicably.	Full	Full	Full		
CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURES						
9.1. The Board should ensure the integrity of the Company's integrated report.	The Board reports annually on the performance of the company issues of corporate governance and annual financial statements in the Annual Report.	Full	Full	Full		
9.2. Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	The Board presents in the financial report a balanced and understandable assessment of the Company's position and prospects.	Full	Full	Full		
9.3. Sustainability reporting and disclosure should be independently assured.	Financial reporting is prepared in accordance with International Financial Reporting Standards and the Botswana Companies Act.	Full	Full	Full		

RISK MANAGEMENT

Risk Management forms an integral part of BIHL Group's business philosophy. Our clients are our key priority, and this is reflected in our approach towards offering insurance and investment products in which key risks are well mitigated.

Our robust balance sheet and sound financial strategy enable an environment that is conducive to meeting our clients' expectations. We are more aware than most of the need for sound Risk Management and we continually identify and analyse risks to our own business in our endeavour to add value to all our stakeholders. We are committed to the highest standards of corporate governance. Currently, the accepted best practice for most countries in the Southern African region is provided by the King III Code of Corporate Governance, in which we have made significant strides. The Group's risk policy guidelines set the framework for management and its integration into corporate strategy. Our aim is to increase risk awareness among all our staff and establish a value-based risk culture at all corporate levels. We analyse opportunities and associated risk systematically and incorporate them into our business decisions on a transparent basis.

COMBINED ASSURANCE MODEL

Combined Assurance allows visibility over the nature of assurance provided by whom within the Group, and includes internal and external assurance assessments. Through this process, we are better able to understand our levels of assurance and where improvement is needed in order to effectively manage risk. BIHL implemented a Combined Assurance Model (CAM) at our two higher risk-susceptible subsidiaries, Botswana Life and Bifm, in 2012. This is in line with principle 3.5 of the King III Code of Corporate Governance, and was implemented in order to follow a coordinated approach across all assurance activities. The CAM is a living document that is continuously updated in line with changes in the business environment, strategy, processes and structure to ensure relevance and sound reporting to the appropriate forums. In this regard, an annual gap analysis of the document is carried out. We consider CAM at Botswana Life and Bifm level as appropriate given the risk profiles, business size and maturity of these entities.

We have found that the CAM allows for a coordinated effort to identify and cover all key risks, with gaps on assurance oversight filled timeously. Transparency and reporting to the Board is improved, thus assisting disclosure to stakeholders. In addition, the Board and the Audit Risk Committee are able to rely on this document to satisfy themselves that significant risk areas have been identified and suitable controls are in place.

Three Lines of Defence Governance Model

1 First Line of Defence (Management)

- The first line of defence is management, as they are accountable for all risks in the organisation
- Their accountability in managing risk is either implicit or explicit

2 Second Line of Defence (Internal Assurance Providers)

- The risk function, forensics, compliance, actuarial and investment management function act as the second line of defence
- The second lines of defence are there to assist management in mitigating by giving them advice and providing assurance on key risks

3 Third Line of Defence (External Assurance Providers)

- The third line of defence is internal audit, external audit, statutory actuary and any other structures that may be used from time to time
- These are the most independent assurance providers
- Their assurance is more objective and as such they provide unbiased advice on the management of key risks

RISK MANAGEMENT (CONTINUED)

COMPLIANCE

Group Legal, Risk and Compliance have made notable strides in embedding the Compliance Framework, tools, policies and procedures in line with the Compliance Policy Charter. This entailed engaging with the relevant risk and compliance custodians in each of the businesses in an effort to roll out the tools and specifically embed the Compliance Framework as a standard business feature.

Endorsement was obtained with the aid of the respective Principal Officers and Risk and Compliance at Bifm.

Group Compliance continued its efforts in working closely with these officers to ensure full implementation of the framework, which includes assistance in the customisa
tion and adoption of Group approved policies. This is a gradual, continuous and systematic process to ensure a solid foundation is laid and built upon.

Within the regulatory sphere, Group Legal, Risk and Compliance has been working closely with the business in the interpretation and summation of recently enacted or amended statutes to ensure a consistent and comprehensive understanding of legislation.

- The Insurance Industry Bill was passed by Parliament with amendments, and is expected to come into effect once the amendments are incorporated during the course of the first half of 2016. The regulations to be applied in conjunction with the new Act are currently being drafted and are also expected to be ready by the end of the first half of 2016. In the meantime, the Group's compliance plan to these new legislative requirements has been shared with business to commence alignment of the business processes to the changes.
- The Retirement Fund Act that will replace the Pension & Provident Fund Act has not yet been promulgated either; however, a compliance plan was developed following the impact analysis of the legislation. The compliance plan addresses key areas to ensure continued operational efficiency once implemented.

Group Legal, Risk and Compliance functions across the Group have also attended various regulatory forums to ensure meaningful participation and contribution to the nonbanking financial services industry.

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 is 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 complement 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: is 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 a 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.

3.5

Principle of King III Code

HIGHER RISK:
BIHL implemented a Combined Assurance Model (CAM) at our two higher risk susceptible subsidiaries, Botswana Life and Bifm, in 2012.

CONTINUOUS:
The CAM is a living document that is continuously updated in line with changes in the business environment, strategy, processes, and structure to ensure relevance and sound reporting to the appropriate forums.

RISK MANAGEMENT (CONTINUED)

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 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 minimize 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.

RISK MANAGEMENT (CONTINUED)

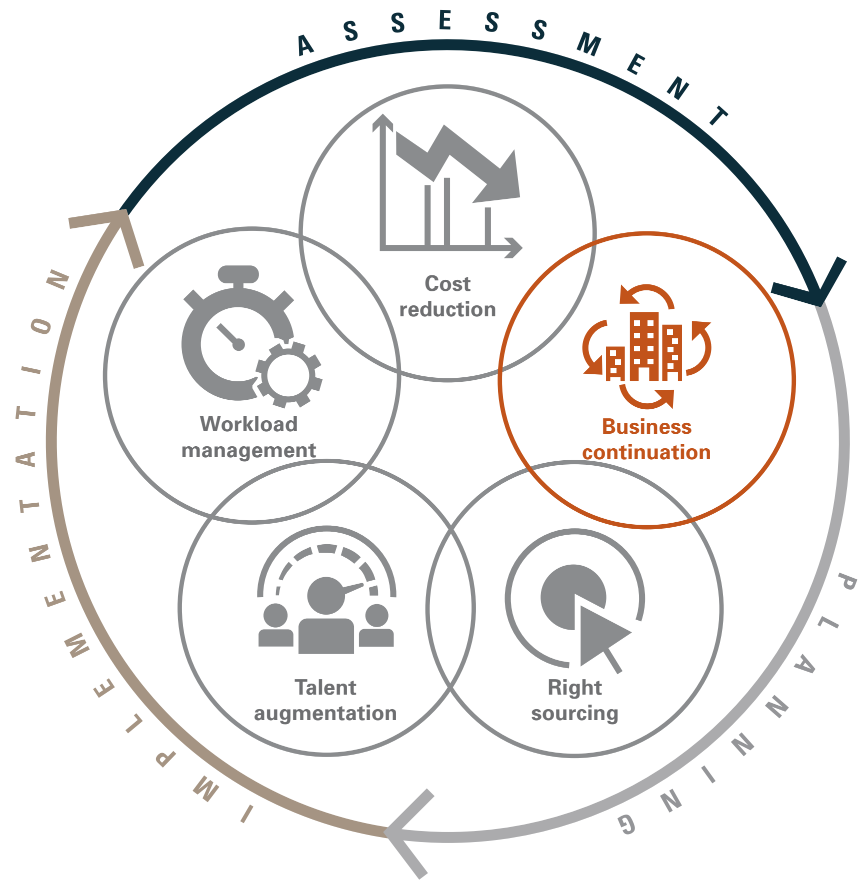
Risk categories (primary)	Risk types (secondary) and description
FUNDING LIQUIDITY RISK	Funding Liquidity risk is the risk relating to the difficulty / inability to accessing / raising funds to meet commitments associated with financial instruments or policy contracts.
INSURANCE RISKS (LIFE BUSINESS)	Insurance risk (Life business) - relates to operations regulated under the Long-Term Insurance Act: risk arising 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: risk arising 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 are 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 of pricing and provisioning of 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).

RISK MANAGEMENT (CONTINUED)

BUSINESS CONTINUITY MANAGEMENT



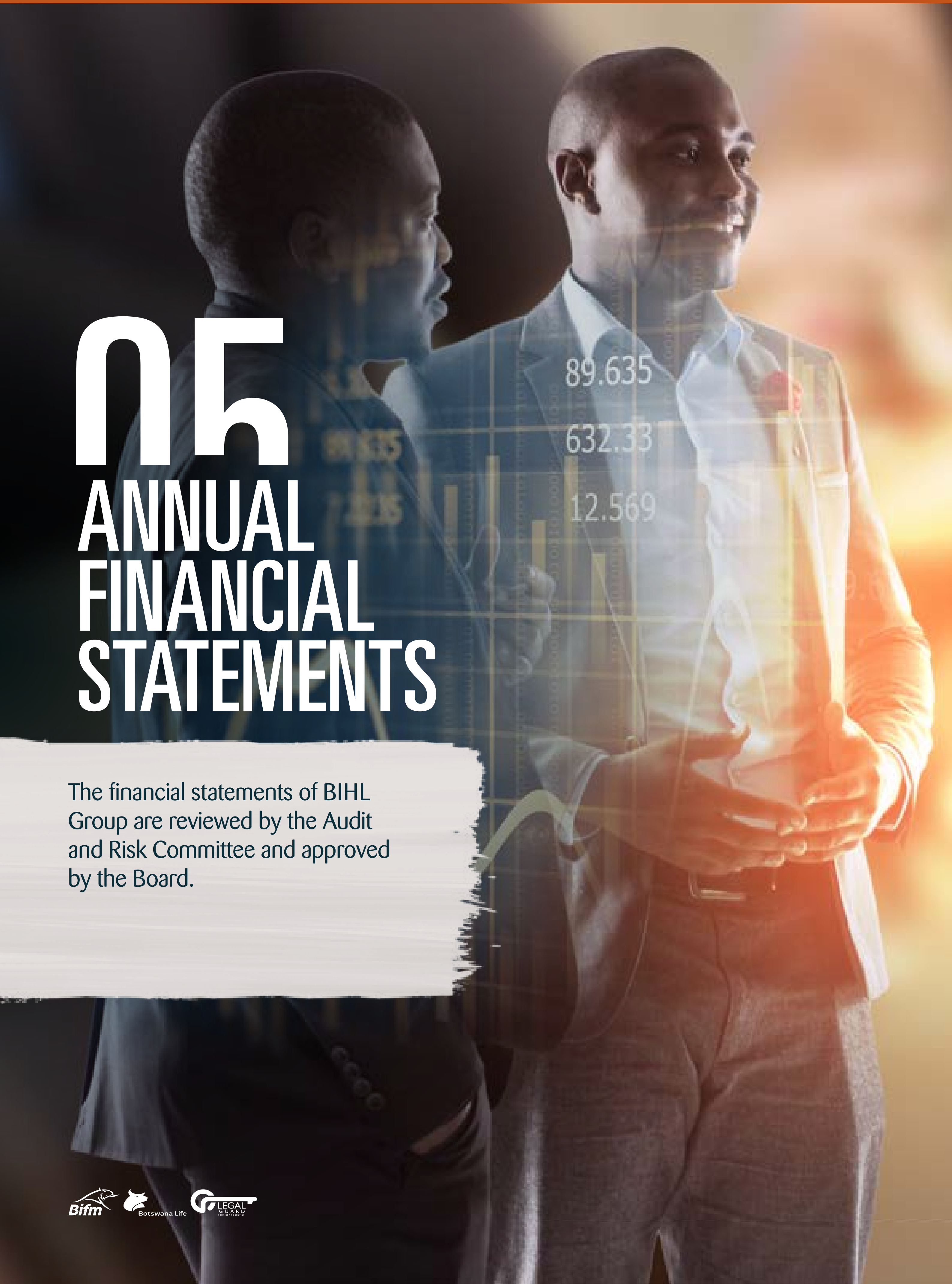
Business Continuity Management (BCM) is a holistic management process that identifies potential threats to an organisation and the impact on the business operations that those threats, if realised, might cause. It also provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value creating activities.

BIHL is committed to the successful application of BCM to increase its resilience and ability to absorb, respond and recover from disruptions. Last year, significant focus was paid on setting up a fully functional Disaster Recovery site and revision of Business Continuity Plans in line with best practice and current operating environments.

The Groups disaster recovery site was successfully setup in Phakalane and satisfactory simulated tests were performed towards the end of 2015. A significantly enhanced BCM site is developed at Kgale -Gaborone West - and is planned to be fully operational by the end of the first quarter of 2016. Business Continuity champions across the group underwent multiple training sessions while all levels of staff, from clerical to executive management attended presentations where the criticality of BCM was emphasised. The Board of Directors maintains a keen interest in ensuring that management pays sufficient attention to this critical security aspect of BIHL's business.

Business Continuity Plans

Business Continuity Plans were refreshed for all the Group businesses during the year. Tests of the new plans will receive significantly more focus in 2016 to ensure plans are effective, up to date and our DR and BCM sites are fully functional. Efforts to build a culture of business continuity awareness gained significant ground in 2015 and shall continue with the aim of having staff that fully understands its role in BCM and participates actively in ensuring the BIHL Group's resilience.



05 ANNUAL FINANCIAL STATEMENTS

The financial statements of BIHL Group are reviewed by the Audit and Risk Committee and approved by the Board.

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 2016.

Nature of Business

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 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 2016 of P475 million (31 December 2015: P587 million). Shareholders' equity at 31 December 2016 was P2.916 billion (31 December 2015: P2.912 billion). The results are fully explained in the financial statements.

Stated Capital

The issued and fully paid share capital at 31 December 2016 and 2015 consists of 281,070,652 ordinary shares.

Dividends

A gross interim dividend of 55 thebe (2015: 55 thebe) per share was declared during the year. The directors propose a final dividend of 67 thebe (2015: 67 thebe) per share, making the total dividend for the year 122 thebe per share (31 December 2015: 122 thebe per share).

Directors' Shareholdings

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company is 451,367 (31 December 2015: 331,110). 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
J. Hinchliffe
M. Mpugwa
Lieutenant General T. Masire
A. Roux
H. Werth - Resigned 17 February 2016
G. Hassam
C. Lesetedi - Letegele Group Chief Executive Officer Appointed 01 March 2016

Company Secretary and Registered Address

H Ndzinge
Fairgrounds Office Park,
Plot 66458
P. O. Box 336,
Gaborone

Independent Auditors

Ernst & Young
2nd Floor, Letshego Place
Gaborone, Botswana

Statutory Actuary

G.T. Waugh

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

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 and in the manner required by the Insurance Industry Act (Cap 46:01) and the Companies Act of Botswana (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 here were authorised for issue by the board of directors on 03 March 2017 and were signed on their behalf by:

B Dambe-Groth
Chairperson

C Lesetedi-Letegele
Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

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 (the Group) set out on pages 112 to 209, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, including a summary of significant accounting policies.

In our opinion, the accompanying 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 2016, and of its consolidated and separate financial performance and 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 of Botswana (CAP42:01) and the Insurance Industry Act (CAP 46:01).

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 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. 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. 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 liabilities under insurance contracts (Consolidated financial statements) As described in note 8 Policyholder Liabilities, the Group has significant insurance contract liabilities stated at P8.8 billion at December 31, 2016 representing 76.8% of the Group's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. Consistent with the insurance industry, the Group uses actuarial methodologies and valuation models to support the calculations of the insurance contract liabilities. Economic assumptions, such as investment returns and interest rates, and other actuarial assumptions such as expense assumptions, mortality and morbidity rates etc., are key inputs used to estimate these long-term liabilities. Significant judgement is applied in evaluating these assumptions, in customizing the assumptions for the Botswana market, and in evaluating the evolution of the assumptions over the lifetime of the policy.	We performed the following audit procedures, among others: • We tested the effectiveness of key internal controls over the actuarial process including management's determination and approval process for setting of economic and actuarial assumptions. • We involved EY's internal actuarial specialists to assist us in performing our audit procedures over the models and assumptions. • We considered the appropriateness of the methodologies and models used, which may vary depending on the specifications of the policy. • Our assessments of the assumptions included challenging, as necessary, specific economic and actuarial assumptions, considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences. • Where appropriate, we tested the mathematical accuracy of relevant aspects of the calculations performed. • We evaluated the key sources of profit and loss, assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements. • We considered the level of margins held, management's justification for holding these margins and how these will be released in the future. • We performed procedures to evaluate the data used for input into the actuarial valuation models. • We also assessed the adequacy of the disclosures regarding these liabilities in the consolidated financial statements to determine they were in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
2. Valuation of unlisted bonds (Consolidated financial statements) As described in note 25 Fair Value Disclosures, the Group has significant investments in unlisted bonds of P3.7 billion representing 25% of total assets. Valuation techniques for unlisted investments can be subjective in nature, involve significant unobservable inputs and various assumptions. These assumptions include pricing factors which may change due to shifts in the yield curve caused by changes in the discount rates. Further, the use of different valuation techniques could produce significantly different estimates of fair value for an unlisted bond.	We performed the following audit procedures, among others: • We assessed the methodology and the appropriateness of the valuation models used to value the unlisted bonds. • We tested the accuracy of key inputs used in the valuation by comparing the expected cash flows to contracted amounts, comparing the risk free rates to external data and benchmarking the credit spreads to the internal group matrix as localised for country specific factors where necessary. • We involved our internal valuation specialists to reconstruct the yield curve used. • We also evaluated the Group's assessment of whether objective evidence of impairment exists for individual investments. • We tested the mathematical accuracy of relevant calculations performed. • We assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with IFRS disclosure requirements, specifically the fair value hierarchy disclosures.
3. Impairment assessment of investments in associates (Consolidated and Separate financial statements) The consideration of impairment for two associates, 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 has seen extreme currency fluctuations in the current year. Letshego operates in the micro-financing industry which experienced difficulties in the current market environment as well as currency fluctuations in certain subsidiaries in the Letshego group. These uncertain circumstances create difficulties in determining the appropriateness of the assumptions used in the discounted cash flow (DCF) model which is used to assess the potential impairment of these associates. Refer to Note 4.5 of the financial statements (Investments in associates and joint ventures).	We performed the following audit procedures, among others: • We evaluated the cash flow projections used for valuation against the associates' most recent financial performance and considered the appropriateness of key inputs. • We focused on the long-term growth rates used to extrapolate the cash flows and the discount rates. We compared these to available industry, economic and financial data, and to the market outlook. • We assessed the historical accuracy of management's forecasts, and compared current performance to forecasts. • We involved our internal valuation specialists to assist in performing and evaluating the Discounted Cash Flow models, particularly in determining the risk discount rate for each associate. • We tested the mathematical accuracy of the models used. • We also assessed the adequacy of the disclosures regarding the associates in the consolidated financial statements to determine they were in accordance with IFRS.

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 of Botswana (CAP42:01), 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 and 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 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.

When we read the integrated annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 of Botswana (CAP 42:01), 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 consolidated and separate 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 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 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
2nd Floor, Plot 22, Khama Crescent, Gaborone

6 March 2017

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GROUP 2016 P'000	GROUP 2015 P'000	COMPANY 2016 P'000	COMPANY 2015 P'000
			Restated		Restated
ASSETS					
Property and equipment	2	156,006	155,504	7,369	8,544
Intangible assets	3	100,357	122,708	1,542	3,357
Investment property	4.4	110,747	110,073	-	-
Investments in associates and joint ventures	4.5	1,878,439	1,741,680	266,711	142,499
Long-term reinsurance assets	8.5	2,936	3,042	-	-
Interest in subsidiaries	4.5	-	-	257,245	284,301
Deferred tax asset	10	-	41	-	-
Non-current asset held for sale	4.8	94,396	-	-	-
Financial assets at fair value through profit or loss		11,024,458	10,931,578	-	-
Bonds (Government, public authority, listed and unlisted corporates)	4.1	7,036,769	6,362,935	-	-
Investment in Property Funds and companies	4.4	153,584	156,557	-	-
Equity investments (Local and foreign)	4.2	3,322,194	3,911,528	-	-
Policy loans and other loan advances	4.3	416,530	408,432	-	-
Money market instruments	4.1	95,381	92,126	-	-
Insurance and other receivables	5	203,977	219,894	11,762	21,650
Tax refund due		248	1,070	329	276
Related party balances	19	-	-	12,176	139,236
Cash, deposits and similar securities	23	819,280	1,055,086	14,406	47,860
Total assets		14,390,844	14,340,676	571,540	647,723
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	6	130,821	130,821	130,821	130,821
Non - distributable reserves	7	444,269	484,681	25,063	21,222
Retained earnings		2,341,425	2,297,105	382,702	457,088
Total equity attributable to equity holders of parent		2,916,515	2,912,607	538,586	609,131
Non- controlling interests	9	20,583	18,474	-	-
Total equity		2,937,098	2,931,081	538,586	609,131
Liabilities					
Policyholder liabilities under:	8	10,956,497	10,933,114	-	-
Insurance contracts		8,800,323	8,555,332	-	-
Investment contracts		2,156,174	2,377,782	-	-
Deferred tax liability	10	17,620	18,360	892	-
Insurance and other payables	11	459,773	431,032	29,879	27,788
Non life insurance contracts liabilities	11.1	9,525	5,815	-	-
Tax payable	16	4,083	19,134	-	-
Related party balances	19	6,248	2,140	2,183	10,804
Total equity and liabilities		14,390,844	14,340,676	571,540	647,723

GROUP CONSOLIDATED INCOME STATEMENT

		GROUP		COMPANY	
	Note	2016 P'000	2015 P'000	2016 P'000	2015 P'000
			Restated		Restated
Revenue					
Net insurance premium income	12	2,122,963	2,487,265	-	-
Gross insurance premium income		2,150,071	2,506,280	-	-
Insurance premium ceded to reinsurers		(27,108)	(19,015)	-	-
Other investment income		3,857	1,868,060	356,571	653,093
Fee revenue		91,193	88,447	-	-
Investment income	13	752,757	684,327	356,571	653,093
Net (loss)/gain from financial assets held at fair value through profit and loss	13.1	(840,093)	1,095,286	-	-
Net Income		2,126,820	4,355,325	356,571	653,093
Net insurance and investment contract benefits and claims		(1,122,594)	(3,173,297)	-	-
Gross insurance benefits and claims	14	(1,559,571)	(1,307,020)	-	-
Reinsurance claims	14	8,371	9,736	-	-
Change in liabilities under investment contracts	8.1	676,641	(674,663)	-	-
Change in policyholder liabilities under insurance contracts	8.6	(248,141)	(1,200,664)	-	-
Change in contract liabilities ceded to reinsurers	8.6	106	(686)	-	-
Expenses		(652,857)	(647,127)	(87,145)	(31,090)
Sales remuneration		(315,232)	(323,517)	-	-
Administration expenses	15	(337,625)	(323,610)	(87,145)	(31,090)
Profit before share of profit of associates and joint venture		351,369	534,901	269,426	622,003
Share of profit of associates and joint venture	4.5	224,671	186,728	-	-
Profit before tax from continuing operations		576,040	721,629	269,426	622,003
Income tax expense	16	(100,729)	(133,942)	(26,624)	(44,264)
Profit for the year		475,311	587,687	242,802	577,739
Profit attributable to:					
- Equity holders of the parent from continuing operations		474,112	585,060	242,802	577,739
- Non-controlling interests from continuing operations	9.1	1,199	2,627	-	-
		475,311	587,687	242,802	577,739
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
- basic	17	173	214		
- diluted	17	171	211		

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
	Note	2016 P'000	2015 P'000	2016 P'000	2015 P'000
			Restated		Restated
Profit for the year		475,311	587,687	242,802	577,739
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation of foreign operations	7	(145,686)	(50,831)	-	-
Total comprehensive income for the year		329,625	536,856	242,802	577,739
Total comprehensive income attributable to:					
- Equity holders of the parent		328,426	534,229	242,802	577,739
- Non-controlling interests		1,199	2,627	-	-
		329,625	536,856	242,802	577,739

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent			
	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000	Statutory capital reserve P'000
GROUP				
Balance at 1 January 2015	130,821	(74,860)	93,463	530,274
Total comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Foreign currency translation	-	-	-	-
Share based payment expense (Note 7)	-	-	11,892	-
(Transfer to statutory reserves)/transfer from retained income	-	-	-	2,700
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	(307)	-	-
Dividends paid	-	-	-	-
Share Trust vested treasury shares	-	9,250	-	-
Loss of control of subsidiary	-	-	-	-
Balance at 31 December 2015 - Restated	130,821	(65,917)	105,355	532,974
Total comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Foreign currency translation	-	-	-	-
Share based payment expense (Note 7)	-	-	11,816	-
(Transfer to statutory reserve)/ Transfer from retained income	-	-	-	100,588
(Transfer from consolidation reserve)/ Transfer to retained income *	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	170	-	-
Dividends paid	-	-	-	-
Share Trust vested treasury shares	-	-	-	-
Loss of control of subsidiary	-	-	-	-
Balance at 31 December 2016	130,821	(65,747)	117,171	633,562
COMPANY				
Balance at 1 January 2015	130,821	-	8,096	9,762
Profit for the year	-	-	-	-
Share based payment expense	-	-	3,364	-
Dividends paid	-	-	-	-
Balance at 31 December 2015 - Restated	130,821	-	11,460	9,762
Profit for the year	-	-	-	-
Share based payment expense	-	-	3,841	-
Dividends paid	-	-	-	-
Balance at 31 December 2016	130,821	-	15,301	9,762

Total dividend per share for the year 122 thebe (2015:122 thebe) per share

* 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 CHANGES IN EQUITY

Equity attributable to equity holders of the parent							
Solvency reserve P'000	Foreign currency translation reserve P'000	Consolidation reserve P'000	Total non-distributable reserve P'000	Retained income P'000	Total P'000	Non-controlling interests P'000	Total equity P'000
946	66,726	(68,777)	547,772	2,007,474	2,686,067	18,569	2,704,636
-	(50,831)	-	(50,831)	585,060	534,229	2,627	536,856
-	-	-	-	585,060	585,060	2,627	587,687
-	(50,831)	-	(50,831)	-	(50,831)	-	(50,831)
-	-	-	11,892	-	11,892	-	11,892
-	-	-	2,700	(2,700)	-	-	-
-	-	(30,461)	(30,461)	30,461	-	-	-
-	-	(5,334)	(5,641)	-	(5,641)	-	(5,641)
-	-	-	-	(281,070)	(281,070)	(2,722)	(283,792)
-	-	-	9,250	(42,119)	(32,869)	-	(32,869)
-	-	-	-	-	-	-	-
946	15,895	(104,572)	484,681	2,297,105	2,912,607	18,474	2,931,081
-	(145,686)	-	(145,686)	474,112	328,426	1,199	329,625
-	-	-	-	474,112	474,112	1,199	475,311
-	(145,686)	-	(145,686)	-	(145,686)	-	(145,686)
-	-	-	11,816	-	-	11,816	11,816
-	-	-	100,588	(100,588)	-	-	-
-	-	(11,900)	(11,900)	11,900	-	-	-
-	-	4,600	4,770	1,801	6,571	910	7,481
-	-	-	-	(342,906)	(342,906)	-	(342,906)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
946	(129,791)	(111,872)	444,269	2,341,425	2,916,515	20,583	2,937,098

-	-	-	17,858	139,339	288,018	-	288,018
-	-	-	-	577,739	577,739	-	577,739
-	-	-	3,364	-	3,364	-	3,364
-	-	-	-	(259,990)	(259,990)	-	(259,990)
-	-	-	21,222	457,088	609,131	-	609,131
-	-	-	-	242,802	242,802	-	242,802
-	-	-	3,841	-	3,841	-	3,841
-	-	-	-	(317,188)	(317,188)	-	(317,188)
-	-	-	25,063	382,702	538,586	-	538,586

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
	Note	2016 P'000	2015 P'000	2016 P'000	2015 P'000
			Restated		Restated
Net cashflows from operating activities		985,603	(1,550,628)	92,112	197,527
Cash generated from/(utilised in) operations	22	1,168,158	(1,435,636)	78,514	5,139
Interest received		69,051	121,144	3,227	1,372
Dividend received from equity investments		98,313	102,123	-	-
Dividends received from subsidiaries		-	-	353,344	484,156
Dividends received from associates and Joint ventures		108,644	85,321	-	-
Tax paid	16.1	(115,657)	(139,788)	(25,785)	(33,150)
Dividends paid		(342,906)	(283,792)	(317,188)	(259,990)
Net cashflows from/(utilised in) investing activities		(1,221,409)	1,947,246	(125,566)	(172,925)
Purchase of property and equipment	2	(9,913)	(143,904)	(1,354)	(4,757)
Purchase of computer software	3	(15,725)	(9,482)	-	(931)
Increase in investment in subsidiary	4.5	-	-	-	(24,738)
Increase in investment in associate	4.5	(265,420)	(147,544)	(124,212)	(142,499)
Net (withdrawals)/contributions of investments		(930,351)	2,248,176	-	-
Net increase in cash and cash equivalents		(235,806)	396,618	(33,454)	24,602
Cash and cash equivalents at the beginning of the year		1,055,086	658,468	47,860	23,258
Cash and cash equivalents at the end of the year	23	819,280	1,055,086	14,406	47,860

The money market instruments on the face of the SOFP amounting to P95 million (2015: P92 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

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 59% 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 Botswana Companies Act (Cap:42:01), the Botswana Insurance Industry Act (Cap:46:01) 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 ventures .

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 125. 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 IAS 39 either in profit or loss or as a change to 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

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. 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. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group, as there has been no interest acquired in a joint operation during the period.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements.

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These annual improvement amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
The materiality requirements in IAS 1. That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated. That entities have flexibility as to the order in which they present the notes to financial statements. That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (continued)

reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

Effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments:

- At cost
- In accordance with IFRS 9 (or IAS 39); or
- Using the equity method

The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 First time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. The amendment is not expected to have an effect on the group.

Standards issued but not yet effective

Standard 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.

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018, its key requirements are as follows:

Classification and measurement of financial assets
Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's creditrisk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, and contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases.

Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

Hedge accounting
Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The company plans to apply the temporary exemption as discussed below. The temporary exemption permits the group to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest.

The application of IFRS 9 is expected to change the measurement and presentation of many of the Group's financial instruments, depending on their contractual cash flows and the business

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

CHANGES IN ACCOUNTING POLICIES (continued)

model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9: The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. In addition, the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach: The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39, accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The company expects to apply the temporary exemption and make relevant disclosures as required by the amendment.

IAS 28 Investments in Associates and Joint Ventures : Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice

The amendments should be applied retrospectively and are effective from 1 January 2018 with earlier adoption permitted. The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
- If an entity applies those amendments for an earlier period, it must disclose that fact.

The amendments are not expected to have a significant impact on the group as the group equity accounts for these investments.

IFRS 15 - Revenue from Contracts with Customers

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:
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

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The effect of the amendment on revenue is considered not significant as the main source of the group's revenue is from insurance contracts, which is not in the scope of the new standard.

However, the Group performed a preliminary impact assessment of IFRS 15 for the remainder of its revenue streams, which is subject to changes arising from a more detailed analysis to be conducted during the 2017 financial year. Furthermore, the group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

Through one of its subsidiaries, the group is in the business of managing deposit administration and investment schemes on behalf of pension and insurance funds as well as independent private investors.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (continued)

Rendering of services

The group provides fund management services and in return earns management fees, which are paid in terms of stipulated criteria in the asset management agreements (mandates) signed between the group and the Investor (customer). Most of the fees are earned monthly with the exception of a few funds where the group is paid quarterly or half-yearly.

The group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by it. Consequently, the group does not expect any significant impact to arise from these service contracts.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The group expects additional disclosures associated with changes in liabilities as reflected in the statement of cash flows.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments will not have any impact on the Groups financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. Minimal impact is expected on the group's financial statements, except for additional disclosures to comply with the new measurement and classification requirements of the standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

3. 3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to make more extensive disclosures than under IAS 17 other than that no other effect is expected on the consolidated financial statements.

Transfers of Investment Property (Amendments to IAS 40)
Effective for annual periods beginning on or after 1 January 2018. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This amendment will not affect the company's current accounting of such transactions nor will it result in changes to current disclosures. The company will adopt this prospectively.

Transfers of Investment Property (Amendments to IAS 40)

Effective for annual periods beginning on or after 1 January 2018. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This amendment will not affect the company's current accounting of such transactions nor will it result in changes to current disclosures. The company will adopt this prospectively.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018. The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The group will apply the interpretation prospectively to all assets, expenses and income in its scope. The interpretation is not expected to have a significant impact on the group, as this was the interpretation the group had always been using.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

4. ABBREVIATIONS AND KEY

A list of insurance specific abbreviations used throughout the publication:

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

A glossy 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 payout and the actual payout.
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 2016 was P8, 800 million (31 December 2015: P8, 555 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 are 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 P419 million (2015: P463 million).

(iii) Impairment of financial assets

The investments in unlisted equity instruments, debentures and other loans have been impaired where applicable based on the expected cash flows, discounted at the effective interest rates. This impairment assessment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to significant estimation uncertainty. Impairment losses written off in the current year amounted to PNIL (31 December 2015: 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.

(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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

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

(vi) Deferred tax assets (continued)

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 P8,800 million (31 December 2015: P8,555 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 P32.4 million (2015: P40.2 million)
Refer to statutory actuary report for assumptions on the actuarial valuation of the liability.

Provision for future bonuses

Future bonuses of 3% (2015: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business

The business is valued on a prospective basis assuming 3% (2015: 3%) per annum bonus rates going forward and allowing for prescribed margins.

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 P38.0 million (2015: P46.6 million)

Participating annuities

There are very few such policies on the book. Participating annuities have been in force for eight years on average. The carrying amount of participating annuities is P65.6 million (2015: P64.1 million) of which P11.5 million (2015: P13.8 million) is for future bonus appropriations.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at market interest rates based on the bond yield curve at the valuation date, reduced by the prescribed and additional margin, as well as investment management expenses.

All profits or losses accrue to the shareholders when incurred. A discretionary margin is held for this block of business. The carrying amount for non-participating annuity business is P6.5 billion (2015: P5.6 billion)-Refer to statutory actuary report. This carrying amount includes an annuity discretionary reserves of P151.7million (2015: P239.0 million) and this is recognised as a policyholder liability for insurance contracts.

Other non-participating business

Other non-participating business forms less than 6% of the total liabilities. Most of the other non-participating business liabilities are valued on a discounted cash flow basis at interest rates based on the bond yield curve at the valuation date. The carrying amount (net of reinsurance) for other non-participating business

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

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

(vii) Liability for Life Insurance Contracts (continued)

is P293.3 million, (2015: P350.8 million)

HIV/AIDS
Reserves are calculated prospectively and contain allowances for HIV/AIDS claims.

Premium rates for group business are reviewed annually. The HIV/AIDS provision is based on the expected HIV/AIDS claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

Working capital
To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance
Liabilities are valued gross before taking into account reinsurance. No adjustments were made for the effects of reinsurance. The Group issues contracts that transfer insurance risk. This section summarises this risk and the way the Group manages it.

(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 company 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 P 4,8 million (2015: P4.5 million). 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 2016 or 31 December 2015 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 a number of 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.

Furthermore, effective 1st 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

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

(xi) Classification of joint arrangements (continued)

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.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and VAT.

Specifically, revenue is recognised as follows:

a) Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered on the accrual basis and are based on the closing fund values at the end of each period.

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

b) Investment income

Interest income is accounted for by the effective interest rate method.

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.

c) Deposit administration fund income

Deposit Administration (DA) income are fees charged for asset management services on a fund basis. The income is charged to the fund based on assets under management on a daily basis and is recovered at the end of every month. Deposit Administration Fund is a Capital Guaranteed Fund offered by BIFM on the back of its Life Insurance license. This product is offered to clients who have no appetite for risk and who desire full protection of their Capital. The deposit administration assets and the corresponding liability are included in the liquidity and credit risk disclosure of the entity. Fair value movements and investment income on assets under management are recorded in the income statement in accordance with the relevant accounting policies. The fair value of deposit administration contract liabilities is based on the higher of fair value of the assets held or guaranteed capital.

d) 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.

e) 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 when received. The unearned portion of accrued premiums is included within long-term policy liabilities.

Premium income is reflected gross of reinsurance premiums and premiums payable on assumed reinsurance are recognised when due.

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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

f) 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.

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.

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.

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2016. 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

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.

Subsidiaries are consolidated from the date when control is obtained by the group and ceases on the date when control ceases.

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.

Investment in subsidiaries, associates and joint ventures are recognised at cost less accumulated impairment losses in the Company's financial statements.

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.

(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. 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 its 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 disposal.

Financial Instruments
The Group recognises a financial asset or a financial liability on its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial instruments within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets or liabilities at fair value through profit or loss, loans and receivables, or financial liabilities at amortised cost as appropriate. When financial instruments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, financial instruments are remeasured at fair value or at amortised cost depending on the classification. Fair value adjustments on at fair value through profit or loss financial instruments and realized gains and losses on other financial instruments are recognised in profit and loss.

The Group determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial instruments at fair value through profit or loss
A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets the following conditions.

(a) It is classified as held for trading. A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss, because either

(i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
(ii) a group of financial assets, financial liabilities or both 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 fair values of quoted investments are based on the closing market prices at the close of business on the reporting date.

For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments at fair value through profit or loss (continued)

The following investments in financial assets have been designated as at fair value through profit or loss because they are held to support policyholder liabilities, which are measured at fair value. None is held for trading:

- Bonds (Government, public authority, listed and unlisted corporate)
- Money market instruments
- Equity investments
- Policy loans
- Investment in property funds

Gains or losses on financial instruments held at fair value through profit or loss are recognised in profit or loss.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. The effective interest rate amortisation is included in investment income in the income statement. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognising financial assets

A financial asset or part thereof is de-recognised when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. The continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may re-purchase, except in the case of a put option (including a cash settled option or a similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains or losses on financial liabilities held at fair value through profit or loss are recognised in profit or loss.

Financial liabilities are designated at initial recognition as at fair value through profit or loss if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

(ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Financial liabilities at amortised cost

Other liabilities such as trade payables are classified as financial liabilities at amortised cost and are initially measured at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Gains and losses on financial liabilities at amortised cost are recognised through the amortisation process or on derecognition.

Derecognising financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 a derecognition of the original

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognising financial liabilities (continued)

liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets and non-financial assets

(i) Financial assets at amortised cost

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of an impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised in the income statement.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about among other things the following loss events:

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

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. 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 on the basis of 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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is 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 at the measurement date, had the impairment not been recognised in the past. The amount of the reversal is recognised in profit or loss.

(ii) Non - financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of disposal, 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. For the purposes of assessing impairment, assets are first assessed for impairment purposes on an individual basis unless the recoverable amount cannot be determined on this basis, in such an instance the assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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 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 the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non - financial assets (continued)

Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December. The entire carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

Goodwill on acquisition of associates is included in the carrying amount of an associate and is not separately tested for impairment.

Offsetting financial instruments

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

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 as follows;

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

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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Foreign operation financial statements (continued)

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties.

Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each reporting date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is assessed annually for indicators of impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of.

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 lives 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.

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 requirement for capitalisation is 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.

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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

(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,

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Value Added Tax (VAT) (continued)

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.

(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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional Share Plan (CSP) (continued)

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.

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.

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 accruals 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 (where the Group is the lessee)

Operating leases

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.

Leases (Group as Lessor)

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and assets (continued)

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 capital reserve account as required by section 9 of the Botswana Insurance Industry Act (Chapter 46:01). The provisions of the Botswana Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to this reserve. This reserve is to be utilised at least once every five years to increase the paid up stated capital of the Company.

Consolidation reserve

The consolidation reserve is created for the effect of treasury shares, which represents BIHL shares purchased and held within the Group. The cost of treasury shares is deducted from equity through a separate reserve account. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve, which is a capital reserve.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised. The reserve will reverse when the treasury shares are sold.

Capital Reserve

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

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.

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 2016 and 31 December 2015 exceeded the minimum requirements in terms of the Botswana 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).

Discounted cashflow 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Life insurance contract liabilities (continued)

up retrospective reserves with policyholder allocated profits. To the extent that these reserves differ (less or more) from the calculated discounted cashflow 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 cashflows 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.

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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment contract liabilities (continued)

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' 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 2016 and 31 December 2015.

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 Botswana Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to this 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.

	2016 P'000	2015 P'000
Shareholder's equity	2,916,509	2,912,607
Prescribed Capital Target (Life business only)	214,762	164,468
Ratio of Excess Assets to Prescribed Capital Target (Life business only)	13.58	17.69

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)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governance structure

BIHL Board
Responsible for the Group's risk management strategy and policies, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Audit and Risk committee
Assists the BIHL Board in fulfilling its responsibilities

Business Executive committees
Responsible as the BIHL Board's executive overseer, to ensure that the businesses achieve optimal risk-adjusted returns

Group Risk management
Develops Group risk management policies and guidelines for approval by the BIHL Board, co-ordinates reporting responsibilities and improves risk management across the Group.

Business (and sub-business) level risk management
Identifies and manages risks faced by the business

Business Level management committees
Additional committees that may be established by a business to assist their Executive committees in certain areas of risk management

Business level Audit, Actuarial and Risk committees / forums
Assists the business level Board in fulfilling its responsibilities to the Board

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table.

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	**Investment Committees:** Determines and monitors appropriate investment strategies for policyholder solutions	**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 is separate heading from internal audit. The report of the independent auditors for the year under review is contained on page 109 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 IT Governance framework, which includes the governance 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compliance risk (continued)

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's 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.

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' 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Strategy risk (continued)

- 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 immediatelyimplemented.

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;
- 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' exposure to companies with high international or similar credit ratings.

Claims risks

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:

	2016 P'000	2015 P'000
The mean duration of non-participating annuity liabilities is:	9.71 years	9.33 years
The mean duration for the supporting assets is:	8.49 years	8.27 years

The loss from a 1% parallel rise in interest rates is approximately P67.2 million (2015: P54.4 million)

The following table indicates the impact of changes in assumptions

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The table below indicates the impact of changes in assumptions

Policy liabilities in respect of Insurance contracts

P'000	Base value	Investment returns	Expenses	Expense inflation	Lapse and surrender rates	Mortality and morbidity rates
		-1%	+10%	+1%	-10%	+5%(-5% for annuities)
2016						
Individual Life Business	1,915,283	1,919,656	1,930,425	1,920,653	1,895,579	1,904,300
Annuity Business	6,599,306	6,669,413	6,599,306	6,599,306	6,591,146	6,599,306
Group Life Business	285,734	285,734	285,734	285,734	284,877	285,734
Total	8,800,323	8,874,803	8,815,465	8,805,693	8,771,602	8,789,340
2015						
		-1%	+10%	+1%	-10%	+5%(-5% for annuities)
Individual Life Business	2,247,028	2,256,433	2,264,387	2,225,303	2,253,530	2,251,667
Annuity Business	5,966,845	5,961,644	5,972,088	5,973,859	5,966,845	6,012,916
Group Life Business	338,415	338,415	339,430	338,568	338,415	327,417
Total	8,552,288	8,556,492	8,575,905	8,567,730	8,558,790	8,592,000

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.

Sensitivity analysis of insurances risks

Scenario	VIF AFTER TAX 2016 P'000	VIF AFTER TAX 2015 P'000
Base value	1,406,461	1,287,672
Increase risk discount rate by 1%	1,337,045	1,233,334
Decrease risk discount rate by 1%	1,484,169	1,349,339
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	1,492,379	1,350,292
Equities/ property assets fall by 10% without a corresponding fall/ rise in dividend/ rental yield	1,403,991	1,284,171
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	1,412,612	1,293,132
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	1,426,896	1,306,679
Discontinuance rates - life insurance business - decrease by 10%	1,458,694	1,337,500
Base mortality and morbidity rates decreased by 5% for life assurance business	1,443,796	1,335,097
Base mortality and morbidity rates decreased by 5% for life annuity business	1,408,950	1,290,472

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 13.58 times (31 December 2015: 12.95 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.

			Before reinsurance		After reinsurance	
	2016 Number of lives	2015 Number of lives	2016 Pula P'000	2015 Pula P'000	2016 Pula P'000	2015 Pula P'000
P'000	P'000	P'000	%	%	%	%
0 - 500	644,387	663,875	68	70	96	96
500 - 1000	1,151	1,131	6	7	1	1
1000 - 5000	2,065	1,784	25	22	3	3
5000 - 8000	20	14	1	1	0	0
> 8000	3	5	0	0	0	0
Total	**647,626**	**666,809**	**100**	**100**	**100**	**100**

Non-participating annuity payable

	2016 Number of lives	2015 Number of lives	2016 Pula P'000	2015 Pula P'000	2016 Pula P'000	2015 Pula P'000
P'000	P'000	P'000	%	%	%	%
0-20	2,416	2,515	6	3	6	4
20-40	1,699	1,625	10	8	10	8
40-60	1,301	1,229	14	15	14	15
60-80	1,020	953	15	23	15	23
80-100	811	720	15	31	15	31
>100	1,327	1,180	40	20	40	19
Total	**8,574**	**8,222**	**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.

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.

Inter-segment transactions that occurred during 2016 and 2015 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.

	LIFE BUSINESS		ASSET MANAGEMENT		NON-LIFE INSURANCE	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000	2016 P'000	2015 P'000
1.1 Segment information by products and services						
Premium revenue	2,074,927	2,442,587	-	-	48,036	44,678
Fee revenue						
- Internal	-	-	3,054	4,983	-	-
- External	-	-	93,398	100,148	17	158
Investment income	517,086	569,508	228,507	195,880	637	719
- Interest income	511,961	432,799	52,471	86,924	637	719
- Dividend income	19,696	121,007	90,223	95,476	-	-
- Other	(14,571)	15,702	85,813	13,480	-	-
Fair value losses on sale of subsidiary	-	-	-	-	-	-
Fair value gains and losses	57,000	564,312	(887,596)	528,037	-	-
Total net income	2,649,013	3,576,407	(562,637)	829,048	48,690	45,555
Profit(loss) for the year before tax	358,392	567,910	67,571	97,705	671	3,223
Depreciation	4,060	5,363	578	176	230	431
Amortisation	7,429	6,459	-	-	26	26
Share-based expense	-	-	-	-	3,841	3,364
Income tax expense	83,521	94,546	18,967	14,331	148	390
Selling expenses	312,254	320,569	-	-	2,978	2,948
Net Insurance benefits and claims	1,533,219	1,283,488	-	-	17,980	13,796
Change in liabilities under life insurance contracts	(248,035)	1,201,350	-	-	-	-
Change in liabilities under investment contracts	-	-	676,641	674,663	-	-
Movement in short term insurance liabilities	-	-	-	-	-	-
Total Assets	11,303,499	10,537,902	5,560,917	6,338,078	37,225	30,575
Total Liabilities	9,204,701	9,105,932	5,791,780	4,958,544	21,800	15,674
Capital expenditure	17,262	146,774	3,121	525	1,977	399
Associates and joint venture						
Share of profit of associates	-	-	-	-	-	-
Investment in associates and Joint ventures	1,451,308	1,339,211	302,734	272,375	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Business segments

At 31 December 2016, 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 Legal 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, which was acquired on the 1st of December 2015. 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, Quantum Assets Zambia Limited and Nico Holdings, the associate companies are disclosed in note 4.5.

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.

ASSOCIATES & JOINT VENTURES		OTHERS		INTER SEGMENTAL		CONSOLIDATED TOTAL	
2016 P'000	2015 P'000	2016 P'000	2015 P'000	2016 P'000	2015 P'000	2016 P'000	2015 P'000
-	-	-	-	-	-	2,122,963	2,487,265
-	-	-	-	(3,054)	(4,983)	-	-
-	-	(2,222)	5,624	-	(17,483)	91,193	88,447
-	-	338,016	653,329	(331,491)	(735,109)	752,755	684,327
-	-	244	236	3,054	4,983	568,367	525,661
-	-	337,174	653,093	(334,545)	(740,583)	112,548	128,993
-	-	598	-	-	491	71,840	29,673
-	-	-	-	-	-	-	-
-	-	(9,497)	-	-	2,937	(840,093)	1,095,286
-	-	326,297	658,953	(334,545)	(754,638)	2,126,818	4,355,325
-	-	283,963	617,722	(359,233)	(564,931)	351,365	721,630
-	-	2,609	2,220	-	-	7,477	8,190
-	-	1,815	2,668	-	-	9,270	9,153
-	-	-	-	11,460	8,526	15,301	11,891
-	-	22,414	44,264	(24,321)	(19,589)	100,729	133,942
-	-	-	-	-	-	315,232	323,517
-	-	-	-	-	-	1,551,199	1,297,284
-	-	-	-	-	-	(248,035)	1,201,350
-	-	-	-	-	-	676,641	674,663
-	-	-	-	-	-	-	-
-	-	2,617,721	2,768,691	(5,128,518)	(5,334,570)	14,390,844	14,340,676
-	-	1,515,965	1,519,630	(4,247,264)	(5,023,423)	11,453,746	11,409,593
-	-	3,277	5,688	-	-	25,637	153,386
224,671	186,728	-	-	-	-	224,671	186,728
-	-	218,793	130,095	-	-	1,972,835	1,741,680

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY AND EQUIPMENT

GROUP	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
2016						
Cost						
At 1 January 2016	135,042	35,323	22,931	7,022	24,174	224,492
Additions	-	3,979	2,805	-	3,129	9,913
Disposals	-	(1,615)	(4,258)	(4,409)	(3,153)	(13,435)
At 31 December 2016	135,042	37,687	21,478	2,613	24,150	220,970
Accumulated depreciation						
At 1 January 2016	1,712	25,365	18,011	5,775	18,125	68,988
Current year charge	13	7,713	2,586	143	843	11,298
Disposals	-	(1,614)	(2,489)	(4,228)	(6,991)	(15,322)
At 31 December 2016	1,725	31,464	18,108	1,690	11,977	64,964
Carrying amount						
At 1 January 2016	133,330	9,958	4,920	1,247	6,049	155,504
At 31 December 2016	133,317	6,223	3,370	923	12,173	156,006
2015						
Cost						
At 1 January 2015	-	32,163	22,194	7,022	19,888	81,267
Additions	135042	3,172	1,046	-	4,644	143,904
Disposals	-	(12)	(309)	-	(358)	(679)
At 31 December 2015	135,042	35,323	22,931	7,022	24,174	224,492
Accumulated depreciation						
At 1 January 2015	-	21,792	17,080	5,382	16,875	61,129
Current year charge	1,712	3,583	1,148	393	1,354	8,190
Disposals	-	(10)	(217)	-	(104)	(331)
At 31 December 2015	1,712	25,365	18,011	5,775	18,125	68,988
Carrying amount						
At 1 January 2015	-	10,371	5,114	1,640	3,013	20,138
At 31 December 2015	133,330	9,958	4,920	1,247	6,049	155,504

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY AND EQUIPMENT (continued)

COMPANY	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
2016					
Cost					
At 1 January 2016	7,148	1,814	179	4,267	13,408
Additions	146	317	-	891	1,354
Disposals	-	-	-	(13)	(13)
At 31 December 2016	7,294	2,131	179	5,145	14,749
Accumulated depreciation					
At 1 January 2016	3,692	904	140	128	4,864
Current year charge	1,690	302	36	488	2,516
Disposal	-	-	-	-	-
At 31 December 2016	5,382	1,206	176	616	7,380
Carrying amount					
At 1 January 2016	3,456	910	39	4,139	8,544
At 31 December 2016	1,912	925	3	4,529	7,369
2015					
Cost					
At 1 January 2015	6,449	1,673	179	795	9,096
Additions	711	216	-	3,830	4,757
Disposals	(12)	(75)	-	(358)	(445)
At 31 December 2015	7,148	1,814	179	4,267	13,408
Accumulated depreciation					
At 1 January 2015	1,962	691	104	143	2,900
Current year charge	1,740	254	36	90	2,120
Disposals	(10)	(41)	-	(105)	(156)
At 31 December 2015	3,692	904	140	128	4,864
Carrying amount					
At 1 January 2015	4,487	982	75	652	6,196
At 31 December 2015	3,456	910	39	4,139	8,544

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

GROUP	Goodwill P'000	Computer software P'000	Total P'000
2016			
Cost			
At 1 January 2016	114,923	81,551	196,474
Additions	-	15,725	15,725
At 31 December 2016	114,923	97,276	212,199
Accumulated amortisation and impairment			
At 1 January 2016	20,160	53,606	73,766
Current year amortisation	-	9,270	9,270
Impairment	28,806	-	28,806
At 31 December 2016	48,966	62,876	111,842
Carrying amount			
At 1 January 2016	94,763	27,945	122,708
At 31 December 2016	65,957	34,400	100,357

Group			
2015			
Cost			
At 1 January 2015	114,923	72,119	187,042
Additions	-	9,482	9,482
Disposals	-	(50)	(50)
At 31 December 2015	114,923	81,551	196,474
Accumulated amortisation and impairment			
At 1 January 2015	20,160	44,472	64,632
Current year amortisation	-	9,153	9,153
Impairment	-	(19)	(19)
At 31 December 2015	20,160	53,606	73,766
Carrying amount			
At 1 January 2015	94,763	27,647	122,410
At 31 December 2015	94,763	27,945	122,708

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

COMPANY	Computer software P'000	Total P'000
2016		
Cost		
At 1 January 2016	10,825	10,825
Additions	-	-
Disposals	-	-
At 31 December 2016	10,825	10,825
Accumulated amortisation and impairment		
At 1 January 2016	7,468	7,468
Current year amortisation	1,815	1,815
Disposals	-	-
At 31 December 2016	9,283	9,283
Carrying amount		
At 1 January 2016	3,357	3,357
At 31 December 2016	1,542	1,542

COMPANY	Computer software P'000	Total P'000
2015		
Cost		
At 1 January 2015	9,948	9,948
Additions	931	931
Disposals	(54)	(54)
At 31 December 2015	10,825	10,825
Accumulated amortisation and impairment		
At 1 January 2015	4,818	4,818
Current year amortisation	2,668	2,668
Disposals	(18)	(18)
At 31 December 2015	7,468	7,468
Carrying amount		
At 1 January 2015	5,130	5,130
At 31 December 2015	3,357	3,357

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to two cash-generating units which are equivalent to the two of three operating segments of the Group; Non life insurance and asset management for impairment testing as follows. No impairment has been allocated to the Life segment.

Asset management business and Non-life insurance business

	2016 P'000	2015 P'000
Carrying amount of goodwill		
Asset management business	65,957	65,957
Non-Life insurance	-	28,806
Total	65,957	94,763

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS (CONTINUED)

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. The full amount of Goodwill relating to the non- life insurance business has been impaired in the current year.

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% (2015: 5%) thereafter. A pre-tax Group specific risk adjusted discount rate of 17.0% (2015: 17.5%) 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:

	2016	2015
Investment income/surplus return	6.9%	8.8%
Investment growth on AUM (after tax)	6.6%	7.0%
Net inflows as a % of AUM	-3.0%	-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 P18 million (2015: P154 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 1% (2015:22.6%) in the investment perpetuity growth rate would give a value in use equal to the carrying amount of the investment management services business. A reduction of 2% in the funds flow as a % of AUM would result in the reduction in the recoverable amount of the asset management business by P40 million (2015: P24 million).

Non-life insurance business

The recoverable amount of the non-life insurance business of P15.3 million (2015: 36.8 million), has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a ten-year period and perpetual growth of 5% thereafter. A weighted average cost of capital (WACC) of 15.3% (2015: weighted average cost of capital of 15.3%) is used. The projected cash flows beyond the ten years excluding expenses have been extrapolated using a steady average growth rate of 5% (2015: 5%), not exceeding the long-term average growth rate for the market in which the unit operate. The projected cash flows are determined by budgeted margins based on past performances and management expectations for market developments. An impairment was raised in 2014 and again in the current year due to the short term insurance business. The Goodwill amount on the Non life business has been fully impaired and is now PNIL (2015: P28.8 million)

The key assumptions used for the impairment calculations of the non-life insurance business are:

	2016	2015
Growth in Gross Earned Premium (GEP)	10.1%	10.1%
WACC	15.3%	15.3%

An impairment loss of P28.8m (2015: PNIL) has been recognised in the current year in the non-life insurance business unit due to the continued subdued performance of the business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS

Fair values

At 31 December 2016 and 31 December 2015, the carrying value of financial instruments reported in the financial statements approximate their fair value.

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Investments designated as at fair value through profit or loss				
At the beginning of the year	10,775,021	11,973,412	-	-
Net contributions & withdrawals	935,946	(2,293,677)	-	-
Fair value adjustments on investments	(840,093)	1,095,286	-	-
At the end of the year	10,870,874	10,775,021	-	-

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)	7,036,769	6,362,935	-	-
Money market instruments	95,381	92,126	-	-
Policy loans and other loan advances (Note 4.3)	416,530	408,432	-	-
Equity investments (Note 4.2)	3,322,194	3,911,528		
	10,870,874	10,775,021	-	-

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 6.00% to 10.23% (2015: 7.75% to 12.00%). Bond repayment terms range between 0 and 11 years (0 - 12 years : 2015) 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 6.00% to 10.23%.

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.

Interest rates for unlisted bonds are fixed, with coupon rates falling between 3.25% and 11% annually, calculated and compounded on a quarterly basis. Bond repayments terms range between 10 and 25 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 4.9% for 2016 (2015: 3.98%). All money market instruments are of a short term nature, being exercisable within one year of year end.

4.2 Equity investments

Listed in Botswana	1,374,429	1,543,037	-	-
Listed foreign markets	1,893,953	2,314,396	-	-
Unlisted	53,812	54,095	-	-
	3,322,194	3,911,528	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

	GROUP		COMPANY	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	743,297	844,251	-	-
Financials	4,367,839	3,599,929	-	-
Energy	112,548	106,750	-	-
Education	97,501	66,729	-	-
Property	421,406	476,780	-	-
Tourism	112,929	111,324	-	-
Offshore foreign equities	1,893,953	2,314,396	-	-
Government	3,069,890	3,254,862	-	-
	10,819,363	10,775,021	-	-

Listed financial assets:
The closing prices at the year end have been used to value these investments.

Unlisted financial assets:
These investments have been valued based on an independent valuation done by third parties. 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 rate of return and the timing of the cash flow.

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 average risk premium for the unlisted bonds and notes held by the Group was determined as 90 basis points in current year (2015:112 basis points) on the basis of the risk surrounding the operations of the Group. The risk premium has been used as a risk adjustment to the Government risk free rate. The risk adjusted discount rate reflects the credit risk of the counterparty.

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.

Direct equity instruments
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

Debt instruments
For debt instrument the contractual cash flows are used and a discount rate reflecting the time value of money and a credit risk adjustment. Credit risk adjustments range from 0% to 6.94% (2015: 0% to 6.94%)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

	2016 P'000	2015 P'000	2016 P'000	2015 P'000
4.3 Policy loans and other loan advances				
Opening balance	408,432	421,517	-	-
New loans	50,000	321	-	-
Interest charges	3,104	4,743	-	-
Repayments	(39,755)	(9,360)	-	-
Impairment	(400)	(101)	-	-
Loan redemption from units	(4,851)	(8,688)	-	-
	416,530	408,432	-	-
Loans secured against the company's insurance policies	21,445	27,914	-	-
Other loans	395,085	380,518	-	-

Policy loans

These loans are secured against the investment assets on insurance contracts and have repayment terms of approximately 4 years otherwise the loans are recouped against the surrender value of the investment policy. The Interest rate is variable depending on Botswana local bank prime lending rates. The interest rate at December 2016 was 17.5% (2015: 18%)

As at the year end, an amount of P0.4 million (2015: P0.1 million) was charged as an impairment as the related investment assets fell below the loan value. All policy loans are secured against investment assets on insurance contracts and limits to the loan amount that can be taken is built into the policy loan contract. The cash flows are estimated based on the contracts with the policy holders.

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 7% (2015: 7.5%)

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 was determined as 50 to 100 basis points in current year (2015: 50 to 100 basis points). The risk premium has been used as a risk adjustment to the Government risk free rate.

The carrying amounts disclosed above are the same as the fair values at year end.

Long term Loan

Loan to Babereki Investments (Pty) Ltd	51,512	-

During the year the company granted a loan with a principal amount of P50 million to Babereki Investments (Pty) Ltd to fund its loan book. The loan is repayable over 10 years. The loan is secured through a cession of the loan book and guarantee and surbodination agreement with BOPEU.The interest rate is a fixed interest rate of 12% per annum payable quarterly. As at 31 December 2016 interest amount of P1.5 million was receivable.

4.4 Investment property & Investments in unlisted property funds				
At beginning of the year	266,630	227,858	-	-
Disposal of investments	-	-	-	-
Revaluations	(2,299)	38,772	-	-
	264,331	266,630	-	-
Physical properties held	110,747	110,073	-	-
Investments in unlisted property companies	153,584	156,557	-	-

Investment in unlisted property companies are held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

4.4. Investments (continued)	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Investments properties:				
Opening balance at 1 January	110,073	106,365	-	-
Net gains/(loss) from fair value adjustment	674	3,708	-	-
Closing balance at 31 December	110,747	110,073	-	-
Rental income derived from investment properties	18,580	14,195	-	-
Direct operating expenses (including repairs and maintenance) generating rental income	6,252	13,887	-	-

The Company's investment properties consist of two commercial properties and a piece of vacant land in Fairgrounds Office Park.

Investments in properties funds:	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Opening balance at 1 January	156,557	121,493	-	-
Additions/(Disposals)	-	-	-	-
(loss)/gains from fair value adjustments	(2,973)	35,064	-	-
Closing balance at 31 December	153,584	156,557	-	-

Refer note 25 for the determination of fair values of listed and unlisted investments in property funds.

A split was made in the Statement of Financial Position of the investment properties and the investment in property funds, which were previously consolidated in one amount. This was done for both the current and the comparative periods.

Analysed as follows:	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Shareholder portion	9,154	8,580	-	-
Policyholder portion	255,177	258,050	-	-
Total	264,331	266,630	-	-

Investment properties & invesments 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 2016 and 31 December 2015 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 investment method being a discounted cashflow approach had been adapted whereupon the current contractual annual rentals is netted off against relevant expenses including normal repairs and maintanance,operating costs, management/collection commission fees, insurance and rates amongst others. 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.

	2016	2015
Inflation rate (%)	3.7%	3.1%
Capitalisation rates	8.25% - 12.5%	9% - 12.5%
Long-term vacancy rates	0% - 58%	0%

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

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 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. See note 4.4 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.

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
4.5. Interest in associates/joint ventures and subsidiaries (subsidiaries at company level)				
Carrying amounts at beginning of the year	1,741,680	1,647,451	426,800	259,564
Share of results after tax	224,671	186,728	-	-
Dividend received	(108,644)	(85,321)	-	-
Additional investment in associates, Joint ventures and subsidiaries - Note 4.6	265,420	147,544	153,025	167,236
Reclassification of the Feune interest to non-current assets held for sale - Note 4.8	(94,396)	-	-	-
Fair value adjustments	-	(103,909)	-	-
Impairments	-	-	(55,869)	-
Foreign currency translation loss	(150,292)	(50,813)	-	-
Carrying amount at the end of the year	1,878,439	1,741,680	523,956	426,800

The Group, through its 100% owned subsidiary Bifm ,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 on the next page 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, has invested in various associates being Plot 21, Bongwe, Feune, Healthcare Holdings, Gaborone Sun and African Life Financial Services (Zambia) Ltd and Quantum Assets Zambia (Ltd) . The table on the next page shows the Group's percentage shareholding and total summarised financial interest.

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 Bifm Holdings Limited, has a 24.85% interest in Feune (Pty) Ltd. The entity is involved in real estate business. The Group's interest in Feune (Pty) Ltd is accounted for using the equity method in the consolidated financial statements. The entity was classified as held for sale refer to Note 4.8.

The Group, through its 100% owned subsidiary BLIL has a 26.28% (2015: 25.68%) 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 on the next page illustrates the summarised financial information of the Group's investment in LHL:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

The Group through its 100% owned subsidiary BLIL owns 36.60% (2015: 35.46%) 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 on the next page illustrates the summarised financial information of the Group's investment in FSG:

The fair value of the listed associates (Letshego Holdings Limited and Nico Holdings Limited) was P1,504 million (2015:P 1,501 million)

"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 it is a public company listed on the Malawian 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 table on the next page illustrates the summarised financial information of the group's investment in NICO:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

4.5. Interest in associates/joint ventures and subsidiaries (subsidiaries at company level) (continued)

The consideration of impairment for two associates, NICO and Letshego, required additional focus in the current year due to the difficult economic environments in which they operate and these associates have marginal headroom. NICO operates in Malawi which has seen extreme currency fluctuations in the current year. Letshego operates in the micro-financing industry which experienced difficulties in the current market environment as well as currency fluctuations in certain subsidiaries. These uncertain circumstances create difficulties in determining the appropriateness of assumptions used in the discounted cash flow (DCF) model which determines the fair value of investments. Consequently impairment losses of P15.1 million (2015: P10.6 million) and foreign currency translation losses of P23.1 million (2015: 1.8 million) have been recognised for NICO. For Letshego, impairment losses of PNIL (2015: PNIL) and foreign currency translation losses of P98,9 million (2015: 57.1 million) have been recognised

In the company only numbers, impairment of P55.8 million (2015: PNIL) was recognised for the investment in Legal guard (P10.8 million) and NICO (P45.0 million). These businesses continue to encounter challenges in their trading environment.

The BIHL Group acquired 50% in a jointly controlled 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)

	JOINT VENTURES		
	Khumo Property Asset Mngt.	Teledimo	Gaborone Sun
4.5 Interest in associates / joint ventures and subsidiaries (subsidiaries at company level) (continued)			
2016			
Carrying amount (P'000)	8,274	121,694	34,447
Interest in issued share capital			
Shareholders' fund	50.00%	50.00%	20.00%
Share of earnings after tax for current year (P'000)	2,317	5,482	6,896
Distributions received			
Shareholders' fund (P'000)	-	8,000	-
Total assets and liabilities of the joint venture and associates (P'000)			
Non-current assets	1,501	220,692	49,705
Current financial assets , excluding cash and cash equivalents	2,961	85,963	13,129
Cash and cash equivalents	10,421	48,104	100,573
Non current financial liabilities excluding trade and other payables	-	(9,806)	(4,152)
Current financial liabilities excluding trade and other payables and provisions	(3,973)	(69,788)	(15,472)
Current liabilities	(52)	(8,570)	(3,227)
Shareholders equity	**10,858**	**266,595**	**140,556**
Carrying amount (P'000)	8,274	121,694	34,447
Calculated carrying value	5,429	133,297	28,111
Effects of fair value adjustments and Goodwill at initial recognition	2,845	(11,603)	6,336
Summarised statement of profit or loss of the joint ventures and associates (P'000)			
Revenue	16,950	140,974	172,284
Interest income	120	8,953	4,198
Cost of sales	-	-	(83,347)
Administration expenses, excluding depreciation and amortisation	(11,212)	(136,666)	(50,301)
Depreciation and amortisation	(206)	-	(7,057)
Finance costs, including interest expense	-	-	-
Profit /Loss before tax	5,651	13,262	35,777
Income tax expense	(1,016)	(2,299)	(6,777)
Profit/Loss for the year (continuing operations)	4,635	10,963	29,000
Group's share of profit/loss for the year	2,317	5,482	6,896

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ASSOCIATES									
Funeral Services Group	Plot 21 Investments	Bongwe	African Life Financial Services (Zambia) Limited	Quantum Assets Zambia Limited	Healthcare Holdings	Feune (Pty) Ltd	Nico Holdings Limited	Letshego Holdings Limited	Total
74,493	2,702	5,325	87,674	2,071	66,345	94,396	98,599	1,376,815	1,972,835
36.60%	33.00%	33.00%	49.00%	49.00%	29.60%	25%	25.10%	26.28%	
15,901	187	1,052	17,443	5,442	5,230	16,364	(7,636)	155,993	224,671
11,939	-	-	-	-	-	-	2,259	86,446	108,644
189,308	4,171	192,070	18,233	51,496	215,186	806,938	1,979,646	375,849	4,104,795
24,600	533	523	25,226	8,099	2,704	46,088	331,540	6,970,831	7,512,197
47,951	14,281	21,186	939	309	22,706	11,121	264,060	529,494	1,071,145
(14,144)	(8,751)	(199,898)	-	(6,479)	(2,004)	(113,310)	(1,421,914)	(3,395,719)	(5,176,177)
(3,780)	(2,339)	(940)	(6,649)	(1,753)	(1,451)	(5,553)	(952,047)	(190,528)	(1,254,273)
(30,451)	(522)	(2,039)	(5,128)	(703)	(107)	(9,232)	(151,330)	(294,955)	(506,316)
213,484	**7,374**	**10,902**	**32,621**	**50,968**	**237,033**	**736,052**	**49,955**	**3,994,972**	**5,751,370**
74,493	2,702	5,326	87,674	2,071	66,345	94,396	98,599	1,376,815	1,972,836
78,135	2,433	3,598	15,984	24,974	70,162	184,013	12,539	1,049,879	1,608,554
(3,642)	269	1,728	71,690	(22,903)	(3,817)	(89,617)	86,060	326,936	364,281
161,383	4,080	15,569	46,061	22,849	22,933	146,219	1,052,033	1,874,143	3,675,477
1,383	1,855	18,107	-	1,236	77	36	283,389	-	319,354
(28,887)	(3,709)	(14,153)	-	(160)	-	-	-	-	(130,257)
(84,742)	(312)	(989)	(4,781)	(13,166)	(3,517)	(24,833)	(1,260,218)	(741,104)	(2,331,840)
-	-	-	(157)	(376)	-	-	-	-	(7,797)
(1,949)	(1,195)	(14,699)	-	-	-	(52,625)	-	(175,014)	(245,482)
47,188	718	3,834	41,123	10,383	19,493	68,798	75,203	958,025	1,279,456
(11,731)	(158)	(887)	-	1,416	(1,978)	(3,342)	(32,272)	(304,819)	(363,862)
35,457	560	2,948	41,123	11,799	17,515	65,456	42,932	653,206	915,594
15,901	187	1,052	17,443	5,442	5,230	16,364	(7,636)	155,993	224,671

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

	JOINT VENTURES		
	Khumo Property Asset Mngt.	Gaborone Sun	Funeral Services Group
4.5. Interest in associates / joint ventures and subsidiaries (subsidiaries at company level) (continued)			
2015			
Carrying amount (P'000)	5,957	29,446	70,012
Interest in issued share capital			
Shareholders' fund	50%	20%	35.46%
Share of earnings after tax for current year (P'000)	1,660	2,000	11,242
Distributions received	-		
Shareholders' fund (P'000)	-	-	5,698
Total assets and liabilities of associated company (P'000)			
Non-current assets	364	28,134	171,310
Current financial assets , excluding cash and cash equivalents	2,611	58	23,264
Cash and cash equivalents	6,311	2,505	66,264
Non current financial liabilities excluding trade and other payables and provisions	-	-	(13,002)
Current financial liabilities excluding trade and other payables and provisions	(1,052)	-	(2,407)
Current liabilities	(1,784)	(200)	(29,770)
Shareholders equity	6,450	30,497	215,659
	5,957	29,446	70,012
Calculated carrying value	3,225	6,099	76,472
Effects of fair value adjustments and Goodwill at initial recognition	2,732	23,347	(6,460)
Summarised statement of profit or loss of the joint venture and associates (P'000)			
Revenue	14,374	10,232	115,429
Interest income	18	366	2,559
Cost of sales	-	-	(19,383)
Administration expenses, excluding depreciation and amortisation	(10,126)	(381)	(54,957)
Depreciation and amortisation	(150)	-	(4,747)
Finance costs, including interest expense	-	-	(1,180)
Profit before tax	4,116	10,217	37,721
Income tax expense	(796)	(217)	(6,017)
Profit for the year (continuing operations)	3,320	10,000	31,704
Group's share of profit for the year	1,660	2,000	11,242

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

			ASSOCIATES					
Plot 21 Investments	Bongwe	Services (Zambia) Limited	African Life Financial Assets Zambia Limited	Quantum Healthcare Holdings	Feune (Pty) Ltd	Nico Holdings Limited	Letshego Holdings Limited	Total
2,515	4,274	94,293	(3,304)	61,161	78,032	130,095	1,269,199	1,741,680
		-						
33%	33%	49%	49%	29.6%	24.85%	25.10%	23.17%	
307	1,068	19,577	(1,248)	5,051	2,078	(10,555)	155,548	186,728
-	-	-	-	-	-	-	79,623	85,321
6,378	310,558	22,139	37,779	69,417	734,641	2,804,964	178,470	4,364,154
13,638	29,602	13,217	2,917	2,283	28,929	1,074,843	5,837,899	7,029,261
6,887	39,667	2,757	1,238	10,281	16,912	359,082	320,544	832,448
(10,662)	(324,982)	-	(5,091)	(1,533)	(58,014)	(1,968,143)	(1,937,844)	(4,319,271)
(8,668)	(28,608)	(7,444)	236	(716)	(4,072)	(1,423,500)	(94,915)	(1,571,146)
(760)	(3,554)	(3,073)	(416)	(138)	(44,721)	(227,785)	(209,521)	(521,722)
6,813	22,683	27,596	36,663	79,594	673,675	619,461	4,094,633	
2,515	4,274	94,293	(3,304)	61,161	78,032	130,095	1,269,199	1,741,680
2,248	7,485	13,522	17,965	23,560	167,408	155,485	948,726	1,422,195
267	(3,211)	80,771	(21,269)	37,601	(89,376)	(25,390)	320,473	319,485
3,520	17,291	76,812	9,460	23,627	90,003	856,551	490,238	
3,645	29,615	1,949	1,447	83	116	236,536	1,604,419	
(3,521)	(17,229)	-	-	-	-	-	-	
(301)	(1,470)	(27,081)	(13,181)	(3,935)	(21,574)	(1,102,841)	(723,121)	
-	-	(288)	(427)	(914)	(90)	-	-	
(2,050)	(23,590)	(58)	(762)	-	(44,260)	-	(341,625)	
1,293	4,617	51,334	(3,463)	18,861	24,195	(9,754)	1,029,911	
(362)	(1,381)	(11,381)	917	(1,796)	(15,833)	(32,297)	(269,687)	
931	3,236	39,953	(2,546)	17,065	8,362	(42,051)	760,224	
307	1,068	19,577	(1,248)	5,051	2,078	(10,555)	155,548	186,728

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

4.6. Acquisition of joint venture

"Effective 1st January 2016, the BIHL Group acquired 50% of 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 remaining 50% of Teledimo is owned by Trans Industries (Pty) Limited (TI).This effectively means that BIHL owns 50% of BIC. BIC was established in 1975, and after 40 years in business, maintains its market share lead as the oldest short term insurance provider in Botswana. BIC is an AA- rated insurance company, with a strategic focus on providing, innovative commercial, personal and specialised insurance products and services to its clientele. 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."

	2016 P'000
The fair value amounts of the identifiable assets and liabilities of BIC as at the date of acquisition were :	
Fair value of assets	403,414
Fair value of liabilities	(279,202)
Net assets	124,212
Fair value of consideration paid	124,212

Fair value of assets and liabilities acquired were as follows:

Property and equipment	79,512
Investments	45,585
Financial assets at fair value through profit and loss	104,144
Insurance and other receivables	107,985
Reinsurance contracts	113,022
Deferred Insurance acquisition costs	14,107
Cash and cash equivalents	63,272
Deferred Income tax liability	(11,505)
Insurance contracts	(235,028)
Deferred Reinsurance acquisition costs	(10,475)
Insurance and other payables	(19,498)
Current Income tax payable	(798)
Provisions for other liabilities and charges	(1,899)
	248,424
Group's share (50%) of net assets at fair value	124,212
Consideration	124,212

Effect on cashflow

Cash paid	(124,212)
	(124,212)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

4.7. Acquisition of subsidiaries (Applicable to company only)

On the 26th of September 2016 the Private Property (Botswana) Pty Ltd Board of directors approved the transfer of the shares held by BIFM, representing 74% of the stated capital of the company to BIFM Limiteds' parent company Botswana Insurance Holdings Limited (BIHL). The shares were transferred to BIHL at cost on the 26th September 2016 and the diposal adjusted in the books.

On the 5th of November 2016 the BIFM Limited Board of directors approved the disposal of the 62.9% interest in KYS Investments (Proprietary) Limited, (KYS) to BIFM Limiteds' parent company Botswana Insurance Holdings Limited (BIHL). The shares were transferred to BIHL at cost on the 30th November 2016 and the diposal adjusted in the books as a dividend in specie. KYS operates in the Hospitality industry holding a non-controlling interest of 20% in the Avani Hotel.

Carrying value of assets and liabilities acquired were as follows:	**KYS 2016** P'000	**PPB 2016** P'000
Trade receivables and cash balances (current)	-	1,159
Property, plant and equipment and other non-current financial assets (non-current)	25,969	26,878
Trade and other payables (current)	(200)	(2,715)
Interest bearing loans and borrowings and deferred tax liabilities	-	(7,133)
Total equity	25,769	18,189
BIHL share of net assets at fair value	16,209	13,460
Consideration	16,209	2,396
Effect on cashflow		
Cash paid on acquisition	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

4.8. Non-Current Assets Held For Sale

Non-current assets held for sale are reported at the lower of the carrying amount or the fair value less estimated costs to sell. At its sitting on the 16th of November 2016, the Board of Directors of the group approved the disposal of a 23.85% interest in Feune (Proprietary) Limited to a third party. BIFM holds a total interest of 24.85% in Feune directly and an additional 50% interest on behalf of Policy holders. The transaction price and conditions of sale were established and negotiated prior to the end of the financial year, however the agreement was projected to be concluded within the first quarter of 2017 subject to the approval by the Competition Authority of Botswana.

Feune (Proprietary) Limited	Year ended December 2016 P'000
Carrying amount of non-current assets held for sale	94,396
Investment at cost	107,609
Net realiseable value	193,880
Fair value (gross sale value)	217,035
Estimated Capital Gains Tax (CGT) *	(18,055)
Estimated costs to sell**	(5,100)

* The Estimated CGT is computed at 75% of the net capital gain taxed at 22%

** The estimated cost to sell include the selling fees and external costs as estimated by management

Share of assets and liabilities	
Current assets	57,209
Non-current assets	806,938
Current liabilities	(14,785)
Non-current liabilities	(113,310)
Net assets	736,052
Share of revenue, profit and net assets:	
Revenue	146,255
Profit before tax	68,798
Net Assets	736,052

4.9. Acquisition of associate

During the year 2015 the Group acquired a 25.1% interest in Nico Holdings Limited (NICO). The Nico 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 it is a public company listed on the Malawian Stock Exchange.

	2015 P'000
The fair value amounts of the identifiable assets and liabilities of NICO as at the date of acquisition were :	
Fair value of assets	1,050,975
Fair value of liabilities	(908,476)
Net assets	142,499
Fair value of consideration paid	142,499

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fair value of assets and liabilities acquired were as follows:

Property and equipment	186,234
Investments	2,559,937
Deferred tax asset	7,056
Trade and other receivables	1,074,843
Cash and cash equivalents	359,082
Long-term Liabilities	(65,494)
Life Assurance & Pension Funds	(1,902,649)
Short-term Insurance Reserves	(363,769)
Trade and other payables	(1,287,516)
	567,724
Group's share of net assets at fair value	142,499
Consideration	142,499
Effect on cashflow	
Cash paid	(142,499)
	(142,499)

5. INSURANCE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Insurance and other receivables				
Insurance receivables				
Due from policyholders, agents and brokers	93,211	68,547	-	-
Due from reinsurers	1,828	5,666	-	-
	95,039	74,213	-	-
Other amounts receivables	108,938	145,681	11,762	21,650
	203,977	219,894	11,762	21,650

Trade receivables are non-interest bearing and are generally on 30 days terms.
Other amounts receivable relates to fees receivable, commission advances and broker loans.
The aging analysis of these receivables is as analysed below:

Impaired	6,668	4,962		
Neither past due nor impaired	110,766	151,346	11,762	21,650
Past due but not impaired:	93,211	68,548	-	-
Less than 30 days	51,385	30,197	-	-
30 - 60 days	35,806	21,415	-	-
60 - 90 days	6,020	16,936	-	-
	203,977	219,894	11,762	21,650

Deferred insurance acquisition costs are considered to be current assets.

The carrying values of trade and other receivables are reasonable approximations of their fair values due to the short term nature thereof.

	GROUP		COMPANY	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000

Impairment movement

As at 31 December 2016 outstanding premiums with a nominal value of PNIL were reversed during the year (2015: 0.6million). Movements in the provision for impairment of outstanding premiums were as follows and relate to 100% of the uncertain amounts:

At 1 January	4,962	2,647	-	-
Provision utilised	(54)	(664)	-	-
Provision reversed	-	(614)		
Provision raised	1,760	3,593	-	-
At 31 December	6,668	4,962	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. STATED CAPITAL

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Authorised shares (number)	281,070,652	281,070,652	281,070,652	281,070,652
Ordinary shares issued and fully paid				
281,070,652 ordinary shares at no par value	130,821	130,821	130,821	130,821

7. NON-DISTRIBUTABLE RESERVES

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Foreign currency translation reserve				
Opening balance	15,895	66,726	-	-
Movement for the year	(145,686)	(50,831)	-	-
Balance at end of year	(129,791)	15,895	-	-
Consolidation reserve				
Opening balance	(104,572)	(68,777)	-	-
Transfer from retained earnings	(11,900)	(30,461)	-	-
Cost of shares disposed/(purchased)	4,600	(5,334)	-	-
Balance at end of year	(111,872)	(104,572)	-	-
BIHL shares held by Policy Holders				
Number of shares held at 31 December:	6,375	6,880	-	-
	6,375	6,880	-	-
Market price per share (Pula)	17.55	15.2	-	-
Non-distributable reserves				
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	527	527	-	-
Opening balance	(65,917)	(74,860)	-	-
Cost of treasury shares/(purchased)/disposed	170	(307)	-	-
Exercised employee shares	-	9,250	-	-
Balance at end of year	(65,747)	(65,917)	-	-
Share based payment reserve				
Opening balance	105,355	93,463	11,460	8,096
Expense arising from equity-settled share-based payment transactions	11,816	11,892	3,841	3,364
Balance at end of year	117,171	105,355	15,301	11,460
Statutory capital reserve				
Opening balance	532,974	530,274	9,762	9,762
Transfer from profit for the year	100,588	2,700	-	-
Prior year adjustments	-	-	-	-
Balance at end of year	633,562	532,974	9,762	9,762

The statutory capital reserve account is required by section 9 (3) of the Botswana Insurance Industry Act (Chapter 46:01). The provisions of the Botswana Insurance Industry Act require that 25% of the surplus arising in the year should be transferred to this reserve. This reserve can be utilised at a minimum of every five years to increase the paid up stated capital of the company. No transfer will be made to stated capital until the company receives clarity on the prudential rules.

As part of reviewing its capital structure, Botswana Life made an application to the Regulator, Non-Bank Financial Institutions Regulatory Authority (NBFIRA), to set aside the transfer to statutory capital reserves as the company is holding excess reserves which were not utilised. The Regulator authorised the reduction of the reserves and also approved the suspension of the transfer to the statutory capital reserves until promulgation of the new NBFIRA's IPR3L-Prescribed Capital Target (PCT). These transfers which have not been in place in the last two years have been resumed in the current year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. NON-DISTRIBUTABLE RESERVES (CONTINUED)

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Solvency reserve				
Opening balance	946	946	-	-
Transfer from profit for the year	-	-	-	-
	946	946	-	-

The general insurance company maintains a statutory solvency reserve as required by Section 11 of the Insurance Industry Act of Botswana. 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.

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Total non-distributable reserves	444,269	484,681	25,063	21,222

8. POLICYHOLDER LIABILITIES

	Note	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
8.1. Analysis of movement in policy liabilities					
Life insurance contracts					
Income		2,706,129	3,413,561	-	-
Premium income		2,102,030	2,461,602	-	-
Investment return		604,099	951,959	-	-
Outflow		(2,461,138)	(2,212,897)	-	-
Policy benefits		(2,054,686)	(1,283,488)	-	-
Fees, risk premiums and other payments to shareholders' fund		(406,452)	(929,409)	-	-
Net movement for the year		244,991	1,200,664	-	-
Balance at beginning of the year		8,555,332	7,354,668	-	-
Balance at end of the year	8.3	8,800,323	8,555,332	-	-
Investment contracts					
Balance at the beginning of the year		2,377,782	4,287,030	-	-
Pension and investment contributions		666,078	1,314,183	-	-
Net investment return		(676,641)	674,663	-	-
Benefits paid and withdrawals		(211,045)	(3,898,094)	-	-
Balance at end of the year	8.3	2,156,174	2,377,782	-	-
Total policy holder liabilities		10,956,497	10,933,114	-	-
Segregated funds accounted for off the Statement of Financial Position		21,013,932	11,403,077	-	-

Segregated funds are excluded from investments and liabilities under investment management contracts on the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. POLICYHOLDER LIABILITIES (CONTINUED)

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
8.2. Composition of policy liabilities under investment contracts				
Individual business				
Linked and market-related liabilities	2,156,174	2,377,782	-	-
Composition of policy liabilities under insurance contracts				
Individual business	8,507,448	8,204,875	-	-
Linked and market-related liabilities	1,821,431	2,139,276	-	-
Stable bonus fund	48,694	49,092	-	-
Reversionary bonus policies	38,017	46,617	-	-
Non-participating annuities	6,533,696	5,905,822	-	-
Other non-participating liabilities	65,610	64,068	-	-
Employee benefits business	292,875	350,457	-	
Other non-participating liabilities	292,875	350,457	-	-
Total policy liabilities	10,956,497	10,933,114	-	-

8.3. Maturity analysis of policy holder liabilities

P'000 2016	On demand P'000	< 1 year P'000	1-5 years> P'000	5 years P'000	open ended P'000	Total P'000
Maturity analysis of policy holder liabilities under investment contracts						
Linked and market-related liabilities	2,156,174	-	-	-	-	2,156,174
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	274,591	337,593	1,209,246	-	1,821,430
Smoothed bonus business	-	2,094	39,535	570	6,495	48,694
Guaranteed business	-	4,098	18,753	15,166	-	38,017
Annuities - guaranteed	-	2,313	19,765	32,681	6,478,937	6,533,696
Annuities - participating	-	-	-	-	65,610	65,610
Non participating risk business	-	-	285,741	7,135	-	292,876
Total	2,156,174	283,096	701,387	1,264,798	6,551,042	10,956,497

P'000 2015	On demand P'000	< 1 year P'000	1-5 years> P'000	5 years P'000	open ended P'000	Total P'000
Maturity analysis of policy holder liabilities under investment contracts						
Linked and market-related liabilities	2,377,782	-	-	-	-	2,377,782
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	322,494	397,303	1,419,479	-	2,139,276
Smoothed bonus business	-	2,111	39,858	574	6,549	49,092
Guaranteed business	-	4,986	22,983	18,648	-	46,617
Annuities - guaranteed	-	2,139	19,985	35,979	5,847,719	5,905,822
Annuities - participating	-	-	-	-	64,068	64,068
Non participating risk business	-	-	338,418	12,039	-	350,457
Total	2,377,782	331,730	818,547	1,486,719	5,918,336	10,933,114

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. POLICYHOLDER LIABILITIES (CONTINUED)

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
8.4. Policy liabilities include the following:				
HIV/Aids reserve	1,089	1,307	-	-
Asset mismatch reserve	114,032	107,251	-	-

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 the report of the Independent Actuary for the methods and assumptions used in determining liability valuations.

	Group		Company	
	2016	2015	2016	2015
8.5. Reinsurance Assets				
Balance at the beginning of the year	3,042	3,728	-	-
Movement in reinsurer's share of insurance contract liabilities	(106)	(686)	-	-
Balance at end of the year	2,936	3,042	-	-
8.6. Movement in life insurance contract liability				
Change in policyholder liabilities under insurance contracts	248,141	1,200,664	-	-
Change in contract liabilities ceded to reinsurers	(106)	686	-	-
Movement in the income statement	248,035	1,201,350	-	-

9. NON -CONTROLLING INTERESTS

Balance at beginning of the year	18,474	18,569	-	-
Share of profit	1,199	2,627	-	-
Dividend payment	-	(2,722)	-	-
Purchase of shares	910	-	-	-
Balance at end of the year	20,583	18,474	-	-

9.1. Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operations	2016 %	2015 %
KYS Investments Limited	Botswana	37.10	37.1
Private Property Botswana (Pty) Ltd	Botswana	26.00	26.00

Accumulated balances of material non-controlling interest:

	P'000	P'000
KYS Investments Limited	15,854	11,801
Private Property Botswana (Pty) Ltd	4,729	6,673
	20,583	18,474

Profit/(loss) allocated to material non-controlling interest:

Kgolo Ya Sechaba (KYS)	2,542	655
Private Property Botswana (PPB)	1,972	1,972
	4,514	2,627

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)

	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised Profit or loss for 2016		
Revenue	11,086	2,249
Cost of sales	-	-
Administrative expenses	(164)	(439)
Profit before tax	10,922	1,810
Income tax	(4,067)	(273)
Profit for the year from continuing operations	6,855	1,537
Total comprehensive income	6,855	1,537
Attributable to non controlling interests	2,542	1,972
Dividends paid to non controlling interests	-	-
Summarised Profit or loss for 2015		
Revenue		
Cost of sales	2,366	5,302
Administrative expenses	-	-
Finance costs	(381)	(216)
Profit before tax	1,985	5,086
Income tax	(218)	(264)
Profit for the year from continuing operations	1,767	4,822
Total comprehensive income	1,767	4,822
Attributable to non controlling interests	655	1,972

	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised statement of financial position as at 31 December 2016		
Trade receivables and cash and bank balances (current)	102	1,159
Property, plant and equipment and other non-current financial assets (non- current)	42,819	26,878
Trade and other payable (current)	(188)	(2,715)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-	(7,133)
Total equity	42,733	18,189
Attributable to:		
Equity holders of parent	26,879	13,460
Non-controlling interests	15,854	4,729
Summarised statement of financial position as at 31 December 2015		
Trade receivables and cash and bank balances (current)	118	1,185
Property, plant and equipment and other non-current financial assets (non- current)	31,892	38,155
Trade and other payable (current)	(200)	(6,181)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-	(10,258)
Total equity	31,810	22,901
Attributable to:		
Equity holders of parent	20,008	16,228
Non-controlling interests	11,802	6,673

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. NON -CONTROLLING INTERESTS (CONTINUED)

Summarised cash flow information for year ending 31 December 2016:

Operating	(118)	(153)
Investing	-	-
Financing	-	-
Net increase/(decrease) in cash and cash equivalents	(118)	(153)

Summarised cash flow information for year ending 31 December 2015:

Operating	(202)	(139)
Investing	(5,346)	-
Financing	-	-
Net increase/(decrease) in cash and cash equivalents		
	(5,548)	(139)

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 2016 P'000	Deferred tax liability 2016 P'000	Profit or loss 2016 P'000	Deferred tax asset 2015 P'000	Deferred tax liability 2015 P'000	Profit or loss 2015 P'000
Balance at the beginning of the year	41	(18,360)	-	495	(33,209)	-
Charge to the income statement	(41)	740	699	(454)	7,460	7,006
Prior year adjustments	-	-	-	-	7,389	-
Balance at end of the year	-	(17,620)	699	41	(18,360)	7,006
Representing:						
Accelerated depreciation for tax purposes	-	4,473	3,506	(41)	(1,722)	(1,356)
Unrealised gains on shareholders' investments	-	5,765	(2,807)	-	14,776	(5,650)
Prior year adjustments	-	7,382	-	-	5,306	-

			Company			
	Deferred tax asset 2016	Deferred tax liability 2016	Profit or loss 2016	Deferred tax asset 2015	Deferred tax liability 2015	Profit or loss 2015
Balance at the beginning of the year	-	-	-	-	-	-
Charge to the income statement	-	(892)	(892)	-	-	-
Balance at end of the year	-	(892)	(892)	-	-	-
Representing:						
Accelerated depreciation for tax purposes	-	892	(892)	-	-	-
Unrealised gains on shareholders' investments	-	-	-	-	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INSURANCE AND OTHER PAYABLES

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Insurance payables				
Due to agents and brokers	44,934	33,582	-	-
Due to reinsurers	3,817	9,251	-	-
Life Insurance claims payable	197,221	183,494	-	-
Life Insurance premiums received in advance	98,972	109,887	-	-
Short term Insurance payables	320	-	-	-
Other payables				
Other accounts payable	114,509	94,818	29,879	27,788
	459,773	431,032	29,879	27,788

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.

Other payables relates to payroll accruals - leave pay, bonuses and gratuity

11.1. Non life insurance contracts liabilities

	Group		Company	
Claims reported and loss adjustment expenses	4,721	1,347	-	-
Claims incurred but not reported	4,804	4,468	-	-
Balance at the end of the year	9,525	5,815	-	-

Claims lodged with the insurance company are payable within 3- days

11.2. Claims reported and loss adjustment expenses

Balance at the beginning of the year	1,347	3,123	-	-
Current year provisions	3,374	11,682	-	-
Utilised in the current year	-	(13,190)	-	-
Salvages to be disposed	-	(268)	-	-
Balance at the end of the year	4,721	1,347	-	-

This provision is included as part of Insurance payables

11.3.Claims incurred but not reported

Balance at the beginning of the year	4,468	3,869	-	-
Current year provisions	336	4,468	-	-
Utilised in the current year	-	(3,869)	-	-
Balance at the end of the year	4,804	4,468	-	-

This provision is included as part of Insurance payables

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. PREMIUM REVENUE

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Life Insurance				
Individual life	1,697,709	2,002,261	-	-
Gross premium	1,712,528	2,013,682	-	-
- Recurring premium	1,022,914	940,293	-	-
- Single	689,614	1,073,389	-	-
Premium ceded to reinsurers	(14,819)	(11,421)	-	-
Group and employee benefits	377,218	440,326	-	-
Gross premium	389,508	447,920	-	-
- Recurring premium	89,245	93,969	-	-
- Single	300,263	353,951	-	-
Premium ceded to reinsurers	(12,290)	(7,594)	-	-
Non life insurance				
Insurance contracts	48,036	44,678		
Gross insurance premium revenue	48,036	44,678	-	-
			-	-
Total non life premium revenue	48,036	44,678		
Total	2,122,963	2,487,265	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. INVESTMENT INCOME

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Shareholders' investment income				
Interest income on financial assets at fair value through profit or loss	9,030	21,830	-	-
Cash and cash equivalents interest income	7,550	6,428	3,227	1,372
Rental income on investment properties	23,954	7,890	-	-
Dividends	10,650	6,889	353,344	651,721
Investment management fees	(10,257)	(4,983)	-	-
	40,927	38,054	356,571	653,093
Policyholders' investment income				
(i) Policyholder insurance contracts				
Interest income on financial assets at fair value through profit or loss	501,104	445,166	-	-
Rental income on investment properties	17,790	5,807	-	-
Dividends	19,305	29,040	-	-
Investment management fees	(34,535)	(32,384)	-	-
	503,664	447,629	-	-
(ii) Policyholder investment contracts				
Interest income on financial assets at fair value through profit or loss	52,471	92,886	-	-
Rental income on investment properties	68,032	10,524	-	-
Dividends	87,663	95,234	-	-
	208,166	198,644	-	-
Total Policyholder's investment income	711,830	646,273	-	-
Total Investment income	752,757	684,327	356,571	653,093

13.1. Net (losses)/gains from financial assets held at fair value through profit or loss

Shareholders' net gain from financial assets held at fair value through profit or loss

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Shareholder				
Fair value (losses)/gains on investments	(7,000)	95,015	-	-
Foreign exchange (losses)/gains	(14,056)	19,923	-	-
	(21,056)	114,938	-	-

13.1. Net (losses)gains 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

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
(i) insurance contracts				
Fair value gains on investments	109,868	335,782	-	-
Foreign exchange gains	(41,539)	168,548	-	-
	68,329	504,330	-	-
(ii) investment contracts				
Fair value (losses)/gains on investments	(887,366)	476,018	-	-
	(887,366)	476,018	-	-
Total Policyholder net (losses)/gains from financial assets held at fair value through profit or loss	(819,037)	980,348	-	-
Total net (losses)/gains from financial assets held at fair value through profit or loss	(840,093)	1,095,286	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. NET INSURANCE BENEFITS AND CLAIMS

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Life insurance contracts				
Individual life				
Death and disability claims	149,534	153,105	-	-
Maturity claims	490,769	257,890	-	-
Policy surrenders	176,177	174,000	-	-
Annuities	480,764	433,389	-	-
Reinsurance share on death and disability claims	(1,910)	(2,600)	-	-
Total individual life	1,295,334	1,015,784	-	-
Group and employee benefits				
Death and disability claims	96,584	94,767	-	-
Policy surrenders	147,762	180,073	-	-
Reinsurance share on death and disability claims	(6,461)	(7,136)	-	-
Total group and employee benefits	237,885	267,704	-	-
Total net insurance claims and benefits under life insurance contracts	1,533,219	1,283,488	-	-
Non-life insurance contracts				
Gross claims	17,981	13,796	-	-
Total net insurance benefits and claims under non- life insurance contracts	17,981	13,796	-	-
Total net insurance benefits and claims	1,551,200	1,297,284	-	-

15. ADMINISTRATION EXPENSES INCLUDE:

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Auditors' remuneration				
- audit fee current period	4,436	5,359	465	435
- other services	972	926	-	-
Impairment of Goodwill	28,806	-	-	-
Impairment of Investment in Subsidiaries and associates	-	-	55,869	-
Directors' fees				
- for services as directors	3,331	2,528	2,432	1,814
- for managerial services	14,967	3,640	14,967	3,640
- pension contribution	311	520	311	520
Operating lease rentals	16,361	13,649	1,739	1,773
Staff costs				
Salaries and wages for administration staff	137,452	146,359	20,165	20,306
Pension costs	11,909	11,065	1,985	1,593
Share based payment	11,816	11,892	3,841	3,364
CSP	11,816	11,892	3,841	3,364
Total staff costs	161,178	169,316	25,991	25,263
Average number of employees	408	341	25	22

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16.TAXATION

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Current tax	(93,837)	(117,764)	-	-
Deferred tax	699	7,006	(892)	-
Withholding tax on dividends (Restated, refer to note 27)	(1,397)	(23,184)	(25,732)	(44,264)
Capital gains tax	(6,194)	-	-	-
Tax charge	(100,729)	(133,942)	(26,624)	(44,264)

Tax reconciliation

Reconciliation between tax expense and accounting profit at the standard tax rate:

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Profit before tax	576,040	721,629	269,426	622,003
Tax calculated at a tax rate of 22%	126,729	158,758	59,274	136,841
Expenses not deductible for tax	15,785	17,195	14,244	6,830
Income not subject to tax	(40,384)	(64,646)	(21,162)	(143,671)
Withholding tax on dividends	1,397	23,184	(25,732)	(44,264)
Effect of assessed losses	(733)	(837)	-	-
Capital gains tax	(2,065)	288	-	-
Tax charge	100,729	133,942	26,624	(44,264)

Income not subjected to tax includes dividends from subsidiaries and associates. Expenses not deductible relate to impairment and head office expenses incurred in the generation of non taxable income.

16.1. Tax Paid

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Opening balance	18,064	16,904	(276)	(1,393)
Charge for the year	101,428	140,948	25,732	34,267
Closing balance	(3,835)	(18,064)	329	276
Tax paid	115,657	139,788	25,785	33,150

17. EARNINGS PER SHARE (GROUP ONLY)

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.

	2016	2015
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	474,112	585,060
Number of shares in issue	281,071	281,071
Staff share scheme and treasury shares	(7,660)	(7,872)
Weighted average number of shares used for calculating basic earnings per share	273,411	273,199
Weighted number of dilutive options	3,740	4,318
Weighted average number of shares used for calculating diluted earnings per share	277,151	277,517
Earnings per share (thebe)		
- basic	173	214
- diluted	171	211

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. DIVIDENDS PER SHARE PAID DURING THE PERIOD (NET)

Declared and paid during the year:	Record date	P'000
Final dividend for the year to 31 December 2015:67 thebe (2014: 45 thebe)	15-Apr-2015	188,317
Interim dividend for six months to 30 June 2016: 55 thebe (2015: 55 thebe)	16-Oct-2016	154,589
		342,906
Dividend proposed after year end not recognised in the financial statements:		
Final dividend for the year to 31 December 2016: 67 thebe (2015: 67 thebe)	15-Apr-2017	188,318
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December 2016)		188,318
Withholding tax on dividends		(14,124)
Dividend proposed for approval at AGM (After withholding tax - not recognised as liability at 31 December 2016)		174,194

19. RELATED PARTY DISCLOSURES

The 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	% of interest held		Nature of business
Directly held		2016	2015	
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Limited	Botswana	100	100	Holding company
BLI Investments (Pty) Limited	Botswana	100	100	Dormant
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
Bifm Unit Trusts (Pty) Ltd	Botswana	100	100	Unit Trusts
Genebase Holdings (Pty) Ltd	Botswana	100	100	Dormant
BIHL Legal Guard (Pty) Ltd	Botswana	100	100	Dormant
BIHL Insurance Company Limited	Botswana	100	100	Short term insurance
BIHL Trust	Botswana	N/A	N/A	Corporate Social Responsibility
BIHL Employee Share Scheme Trust	Botswana	N/A	N/A	Employee Share Trust
KYS Investments (Pty) Ltd	Botswana	63	-	Hospitality industry
Private Property (Botswana) (Pty) Ltd	Botswana	74	-	Real estate
Indirectly held				
Botswana Insurance Fund Management Limited	Botswana	100	100	Asset management
Botswana Life Properties (Pty) Limited	Botswana	100	100	Dormant
Bifm Holdings Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance

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

During the year, the Group acquired a 50% interest in Botswana Insurance Company (BIC) (refer to note 4.6). 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

19.1. Related party transactions

		Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Transactions on insurance contracts (Expense)/Income					
i) Sanlam Limited (59% shareholder of BIHL)					
- Premium ceded to reinsurer		(5,027)	(3,881)	-	-
- Claim recoveries from reinsurer		9,008	2,382	-	-
- Recoveries, travel claims and other meeting expenses		915	3,638	-	-
ii) Letshego Holdings Limited					
(Associate company of BIHL)	Credit life income	115,701	125,057	-	-
	Claims paid	(94,901)	(110,733)	-	-
	Dividends received	86,446	79,623	-	-
iii) Funeral Services Group Limited (FSG)					
(Associate company of BIHL)	Share of income	5,919	6,032	-	-
	Dividends received	11,939	5,698	-	-
iv) Aflife Zambia					
(Associate company of Bifm Holdings Ltd)	Technical fees	3,052	4,652	-	-
v) Sanlam Emerging Markets					
(Pty) LtdPurchase of 25.1% shareholding in Nico Holdings Limited		-	(142,499)	-	-
Summary of transactions with related parties					
- Shared expenses					
- Botswana Life Insurance Limited (100% owned by BIHL)		-	-	7,773	4,224
- BIFM(100% owned by BIHL)		-	-	3,411	2,541
- BIHL Unit Trusts (100% owned by BIHL)		-	-	281	264
- BIHL Trust (CSI)		-	-	1,074	659
- BIHL Insurance Company Limited (100% owned by BIHL)		-	-	2,705	1,812
- Dividends received					
- Botswana Life Insurance Limited (100% owned by BIHL)		-	-	295,357	586,204
- BIFM(100% owned by BIHL)		-	-	28,929	28,127
- BLI Investments (Pty) Limited (100% owned by BIHL)		-	-	-	37,391
Year end balances arising from transactions on other services other than insurance contracts					
Amount receivable/(payable)					
- Botswana Life Insurance Limited (100% owned by BIHL)				-	123,302
- Botswana Life Insurance Limited (100% owned by BIHL)		-	-	(2,183)	(9,960)
- BIFM(100% owned by BIHL)		-	-	4,162	10,680
- BIHL Unit Trusts (100% owned by BIHL)		-	-	3,027	3,001
- BIHL Employee Share Scheme Trust			-	3,040	-
- BLI Investments (Pty) Limited (100% owned by BIHL)		-	-	1,314	1,052
- BIHL Trust		-	-	633	1,201
- BIHL Insurance Company Limited (100% owned by BIHL)		-	-	-	(844)
- Sanlam (59% shareholder of BIHL)		(6,248)	(2,140)	-	-
		(6,248)	(2,140)	9,993	128,432

The above transactions were carried out on commercial terms and conditions and at market prices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. RELATED PARTY DISCLOSURES (CONTINUED)

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000

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 within 90 days. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group did not record an impairment of receivables relating to amounts owed by related parties (2015: 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.

Transactions with key management

(i) Compensation of key management personnel of the Group	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
- Short-term employee benefits	20,507	28,459	7,850	5,070
- Pension costs - defined contribution plans	2,796	1,297	2,124	851
- Share based payments	4,404	5,123	12,008	1,751
- Other long-term benefits	7,961	16,008	-	3,115
	35,668	50,887	21,982	10,787

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

	2016 No of shares	2015 No of shares
B Dambe-Groth	23,923	44,115
M Mpugwa	5,324	7,775
C Chauhan	-	75,020
G. Hassam	238,230	204,200
T.C Masire	591	-
C Lesetedi - Letegele	183,299	-
	451,367	331,110

Total

(iii) Non Executive directors remuneration	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
- For services as directors	3,189	2,467	2,687	1,753
- For other services	141	62	-	62
	3,330	2,529	2,687	1,815

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. RELATED PARTY DISCLOSURES (CONTINUED)

(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
2016					
C Lesetedi - Letegele	10	2,028	-	4,480	6,508
G Hassam	2	298	1,750	6,411	8,459
Total executive directors		2,326	1,750	10,891	14,967
2015					
G Hassam	12	2,310	1,850	-	4,160
Total executive directors		2,310	1,850	-	4,160

(b) Long-term emoluments

Share purchase plans

Name	No. of options	No. of grants CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
2016							
C Lesetedi - Letegele							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.2	(89,489)	-	-	-
Granted 2013	-	66,158	16.3	(66,158)	-	-	-
Granted 2014	-	65,270	-	-	-	65,270	2024
Granted 2015	-	105,846	-	-	-	105,846	2025
Granted 2016	-	80,402	-	-	-	80,402	2026
Total	231,413	407,165	-	(387,060)	-	251,518	
2015							
G Hassam							
Granted 2010	69,167	-	10.48	(69,167)	-	-	-
Granted 2011	-	113,904	-	(113,904)	-	-	-
Granted 2012	-	44,744	-	-	-	44,744	2023
Granted 2013	-	119,663	-	-	-	119,663	2024
Granted 2014	-	120,967	-	-	-	120,967	2025
Total	69,167	399,278	-	(183,071)	-	285,374	

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 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Operating lease commitments				
(i) The future minimum lease payments under non-cancellable operating leases				
Within one year	8,510	7,395	3,141	1,287
More than 1 year, but less than 5 years	17,069	9,919	5,619	2,996

The operating lease is for buildings that the Group is renting for business purposes. The lease is over a period of three 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

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Future minimum lease rentals receivable				
Within one year	7,181	3,275	-	-
More than 1 year, but less than 5 years	19,984	9,804	-	-
More than 5 years	-	-	-	-

(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 P11.9 million (2015: P11.1 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) Management Staff scheme
The management scheme is classified as equity settled share based payment. The objective of the scheme is to retain staff. Management staff are granted options to purchase shares of the Holding Company - Botswana Insurance Holdings Limited after a period of 2 years of continuous service to the Group. The share options vest after a period of 6 years, of continuous service, from the grant date; 1/3 vesting after every 2 years. The options are issued at the ruling market price on the date of grant.

After the share options have vested, employees are given a period of 10 years from the date of vesting to exercise their option. The amount carried in the share based reserve at 31 December 2016 is P21 million (31 December 2015: P 21 million). The expense recognised in the income statement is PNIL (2015: PNIL).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Movement during the year	'000	Pula	'000	Pula
Outstanding at the beginning	925	16.90	958	16.90
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(33)	8.70	(33)	8.70
Outstanding at the end of year	892	16.90	925	16.90
Exercisable at 31 December	892	16.90	925	16.90

Price (Pula)	Number of options outstanding
16.90	925,000
	925,000

The weighted average remaining contractual life for the shares outstanding as at 31 December 2016 is 2 years (2015: 2 years)

There were no new grants during the year. (2015: NIL)
The range of exercise prices for options outstanding at the end of the year was P16.90 (2015: P8.70 -P16.90).

(ii) Other Staff
Staff are granted share options after a period of 2 continuous years of service to the group. The share options vest after a period of 3 years of continuous service from the grant date; therefore the employee has to be continuously employed with the group for 5 years before the shares vest. Staff do not pay for the share options. As the settlement is by way of shares, the scheme is classified as equity settled for accounting purposes. The carrying amount of the share based payment reserve was P42.1 million (2015: P42.1 million). The expense recognised in the income statement was PNIL (2015: PNIL).

	2016		2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Movement during the year	'000	Pula	'000	Pula
Outstanding at the beginning	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end of year	-	-	-	-

The scheme has been wound down

(b) Share-based payment (continued)

(iii) The Share Option Scheme (SOS)
All employees are eligible to participate in the scheme based on superior performance.
BIHL grants employees the option to obtain shares in BIHL. The share options vest 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 account 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 2016 is P2.2million (31 December 2015: P2.2 million). The expense recognised in the income statement is PNIL (2015: PNIL).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Movement during the year	'000	Pula	'000	Pula
Outstanding at the beginning	548	10.82	772	10.71
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(371)	16.59	(224)	10.42
Outstanding at the end of year	177	11.60	548	10.82
Exercisable at 31 December	177	11.60	548	10.71

The were no options granted during the year (2015: PNIL). The weighted average value of options granted during the year was PNIL(2015: PNIL)
The weighted average remaining contractual life for the shares outstanding as at 31 December 2016 is 5 years (2015: 6 years)

The range of exercise prices for options outstanding at the end of the year was P11.00 - P11.75 (2015: P8.50 - P11.75)

(b) Conditional Share Plan (CSP)

The purpose of the plan is to recognise contributions made by selected employees and to provide 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 the right 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 2016 is P44.7 million (31 December 2015: P32.9 million). The expense recognised in the income statement is P11.8 million (2015: P10.4 million).

	2016		2015	
	Number of grants	Weighted average Fair value price at grant/exercise date	Number of grants	Weighted average Fair value price at grant/exercise date
Movement during the year	'000	Pula	'000	Pula
Outstanding at the beginning	3,853	10.99	3,511	10.44
Granted	963	15.20	1,382	11.89
Forfeited	-	-	(112)	10.47
Exercised	(1,225)	15.47	(928)	10.30
Outstanding at the end of year	3,591	10.59	3,853	10.99

The weighted average remaining contractual life for the grants outstanding as at 31 December 2016 is 3 years (2015: 3 years).

The number of conditional shares granted during the year was 962,576 (2015: 1,382,314).

The weighted average fair value of grants granted during the year was P15.20 (2015: P11.89)
The weighted average fair value exercises prices for grants outstanding at the end of the year was P10.59 (2015: P 10.30).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payment (continued)

The following assumptions have been used in the valuations model of the Share Option Scheme (SOS):

	2016	2015
Dividend yield	6.64%	5.74%
Volatility	5.03%	6.59%
Risk free interest rate	5.38%	5.86%
Spot price	17.55	15.20
% of remaining employees	80.00%	80.00%

The following assumptions have been used in the valuations model of Conditional Share Plan (CSP):

Dividend yield	6.64%	5.74%
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price	17.55	15.2
% 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. CASH GENERATED FROM OPERATIONS

	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Profit before tax from continuing operations	576,040	721,629	269,426	622,003
Non cash flow items	683,517	(1,187,679)	64,054	8,477
Loss on sale of Property and Equipment	-	-	13	325
Impairment of goodwill	28,806	-	-	-
Depreciation	11,298	8,190	2,516	2,120
Amortisation and impairment	9,270	9,134	1,815	2,668
Impairment of investment in subsidiaries	-	-	55,869	-
Unrealised fair value gains on shareholder assets	21,056	(114,938)	-	-
Net unrealised gains from financial assets held at fair value through profit or loss	822,010	(1,015,412)	-	-
Unrealised fair value losses/(gains) on investment properties	(674)	(3,708)	-	-
Equity-accounted earnings	(224,671)	(186,728)	-	-
Fair value adjustments on equity accounted investments	4,606	103,891	-	-
Share - based payments	11,816	11,892	3,841	3,364
Items disclosed separately	(167,364)	(223,267)	(356,571)	(618,826)
Interest income	(69,051)	(121,144)	(3,227)	(1,372)
Dividends income	(98,313)	(102,123)	(353,344)	(617,454)
Working capital changes:	75,965	(746,319)	101,605	(6,515)
Net (increase)/decrease in insurance and other receivables	15,917	(20,365)	108,135	(18,137)
Net increase/(decrease) in policyholder liabilities	23,383	(708,585)	-	-
Decrease in reinsurance assets	106	686	-	-
Net increase /(decrease) in Insurance and other payables	36,559	(18,055)	(6,530)	11,622
Cash generated (utilised in)/from operations	1,168,158	(1,435,636)	78,514	5,139

23. CASH AND BANK

Cash and bank	100,477	166,048	14,406	47,860
Funds on deposit	718,803	889,038	-	-
Cash and cash equivalents	819,280	1,055,086	14,406	47,860

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 2.25% (2015: 4.78%). Funds on deposit have a maturity of three months or less.

The carrying amounts disclosed above reasonably approximate fair values at year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

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 sets 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 sensitivity analysis is based on Bank of Botswana 91 days Floating paper for Pula deposit and LIBOR for USD deposits.

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.

Variable interest rates

Group

2016

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
BWP	0.5%	650,345	3,252	2,537
BWP	-0.5%	650,345	(3,252)	(2,537)
USD	0.5%	367,366	1,837	1,433
USD	-0.5%	367,366	(1,837)	(1,433)

2015

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
BWP	0.5%	379,732	1,899	1,481
BWP	-0.5%	379,732	(1,899)	(1,481)
USD	0.5%	29,225	146	114
USD	-0.5%	29,225	(146)	(114)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

Company
2016

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
BWP	0.5%	14,406	72	56
BWP	-0.5%	14,406	(72)	(56)

2015

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
BWP	0.5%	47,860	239	186
BWP	-0.5%	47,860	(239)	(186)

Fair value sensitivities
Group
2016

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
BWP	0.5%	1,154	6	5
BWP	-0.5%	1,154	(6)	(5)

2015

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
BWP	0.5%	54,155	271	211
BWP	-0.5%	54,155	(271)	(211)

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. 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 does not have a specific policy to manage foreign exchange risk. It does not make use of any derivative financial instruments to manage foreign exchange rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

Group
2016

	United States Dollar P000	Other currencies P000	Total P000
Equity instruments	1,893,953	-	1,893,953
Money market instruments	6,142	-	6,142
Bonds	6,145	-	6,145
Foreign currency exposure	1,906,240	-	1,906,240
Average rate	10.97	-	
Closing rate	10.68	-	

2015

	United States Dollar P000	Other currencies P000	Total P000
Equity investments	2,314,396	-	2,314,396
Money market instruments	191	-	191
Bonds	790	-	790
Foreign currency exposure	2,315,377	-	2,315,377
Average rate	10.27	-	
Closing rate	11.03	-	

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
2016

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
USD	5%	1,906,240	95,312	74,343
USD	-5%	1,906,240	(95,312)	(74,343)

Currency sensitivity
2015

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
USD	5%	2,315,377	115,769	90,300
USD	-5%	2,315,377	(115,769)	(90,300)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

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

2016

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
Botswana Stock Exchange	3%	6,534	196	153
Listed Property companies - Botswana	3%	852	26	20
World Equity Index	1%	87,351	874	682
Botswana Unit Trusts	3%	12,331	370	289
Total exposure		107,068	1,466	1,144

2015

	Change in variables	Value (P000)	Increase/ (decrease) in profit before tax (P000)	Increase/ (decrease) in equity (P000)
Botswana Stock Exchange	3%	5,045	151	118
Listed Property companies - Botswana	3%	577	17	13
World Equity Index	1%	91,059	911	711
Botswana Unit Trusts	3%	478	14	11
Total exposure		97,159	1,093	853

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

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

	2016 Total P000	2015 Total P000
Investment in Property Funds and companies	153,584	156,557
Long term Reinsurance assets	2,936	3,042
Bonds - Government	3,069,890	3,014,970
- Corporate (listed, unlisted)	3,966,879	3,347,965
Money market instruments	95,381	92,126
Policy loans and other loan advances	416,530	408,432
Insurance and other receivables	203,977	219,894
Cash, deposits and similar securities	819,280	1,055,086
Maximum credit risk exposure	8,728,457	8,298,072

Company

	2016 Total P000	2015 Total P000
Other receivables	11,762	21,650
Related party balances	12,176	139,236
Cash, deposits and similar securities	14,406	47,860
Maximum credit risk exposure	38,344	208,746

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

Financial assets pledged as collateral
There are no financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.

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 the majority of balances are not rated. Moody's Investors Service retained the stable outlook and the A2 rating (2015: 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, consumer price inflation continues to be within the Bank of Botswana's medium-term policy objective of 3 – 6 percent.

As in previous years, Moody's noted that, given the healthy financial position and the stable political and financial environment, the risks that could put renewed pressure on the ratings are judged to be low.

Group
2016

	Botswana Pula	A2 rated	Not rated	Total P'000
Long term Reinsurance assets	2,936	-	2,936	2,936
Government bonds	3,069,890	3,069,890	-	3,069,890
Corporate bonds and other	3,966,879	-	3,966,879	3,966,879
Money Markets	95,381	-	95,381	95,381
Policy loans and other loan advances	416,530	-	416,530	416,530
Insurance and other receivables	203,977	-	203,977	203,977
Cash and bank balances	819,280	-	819,280	819,280
Total Assets	8,574,873	3,069,890	5,504,983	8,574,873

2015

	Botswana Pula	A2 rated	Not rated	Total P'000
Long term Reinsurance assets	3,042	-	3,042	3,042
Government bonds	3,014,970	3,014,970	-	3,014,970
Corporate bonds and other	3,347,965	-	3,347,965	3,347,965
Money Markets	92,126	-	92,126	92,126
Policy loans and other loan advances	408,432	-	408,432	408,432
Insurance and other receivables	219,894	-	219,894	219,894
Cash and bank balances	1,055,086	-	1,055,086	1,055,086
Total Assets	8,141,515	3,014,970	5,126,545	8,141,515

With the exception of Trade and other receivables, none of the non-rated assets are impaired as at 2016 and 2015 financial years. Corporate bonds and others 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 are 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 collateral and any such collateral accepted from counterparties may not be used for any purpose other than being held as security.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

	2016		2015	
Unlisted bonds	Collateral held P'000	Credit exposure P'000	Collateral held P'000	Credit exposure P'000
ABC Holdings	58,635	293,766	56,354	303,605
Botho Park	175,000	65,531	160,000	66,729
CA Sales & Distribution	-	-	60,000	38,781
Botswana Savings Bank	-	65,780	-	66,461
Choppies	100,000	97,399	100,000	98,542
Cash Bazaar	-	125,422	150,000	123,987
RDC Properties	90,000	134,168	75,000	104,061
Three Partners Resort	445,377	77,055	445,377	75,229
Stanbic Bank of Botswana	-	823,174	-	749,058
First National Bank of Botswana	-	424,109	-	289,119
Lonrho Hotels Botswana	-	35,874	30,000	36,095
Real People Investment Holdings	-	119,057	-	118,739
Allied Investments	-	145,808	150,000	143,174
Prime Time holdings	-	81,908	93,750	80,857
Standard Bank	-	384,417	-	344,083
FAR property	208,300	117,246	270,000	117,518
Flip coin	120,129	97,501	74,120	95,165
BIFM Offshore bond	-	159,543	-	179,615
BIFM Local Bond	-	280,921	-	366,253
Meybeernick Investment	-	115,443	-	67,957
Total	1,197,441	3,644,122	1,664,601	3,465,028

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

Company
2016

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	11,762	-	-	-	-	11,762
Related party balances	12,176	-	-	-	-	12,176
Cash, deposits and similar securities	14,406	-	-	-	-	14,406
	38,344	-	-	-	-	38,344
Financial Liabilities:						
Insurance and other payables	29,879	-	-	-	-	29,879
Related party balances	2,183	-	-	-	-	2,183
	32,062	-	-	-	-	32,062

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

2015	< 1 year	1-5 years	> 5 years	On demand	Open ended	Total
Financial Assets:	P'000	P'000	P'000	P'000	P'000	P'000
Insurance and other receivables	21,650	-	-	-	-	21,650
Related party balances	149,233	-	-	-	-	149,233
Cash, deposits and similar securities	47,860	-	-	-		47,860
	218,743	-	-	-	-	218,743
Financial Liabilities:						
Insurance and other payables	27,788	-	-	-	-	27,788
Related party balances	10,804	-	-	-	-	10,804
	38,592	-	-	-	-	38,592

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:

Group	Carrying value	<1 year	1-5 years	>5 years	On demand	Open ended	Total
2016	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial Assets:							
Long term Reinsurance assets	2,936	2,936	-	-	-	-	2,936
Investment in unlisted property companies	153,584	-	-	-	-	153,584	153,584
Bonds (Government, public authority, listed & unlisted corporates)	7,036,769	606,390	2,174,241	6,472,623	-	-	9,253,254
Equity investments	3,322,194	-	-	-	-	3,322,194	3,322,194
Money market instruments	95,381	95,381	-	-	-	-	95,381
Policy loans and other loan advances	416,530	357,506	30,016	29,008	-	-	416,530
Insurance and other receivables	203,977	203,977	-	-	-	-	203,977
Cash, deposits and similar securities	819,280	819,280	-	-	-	-	819,280
Total undiscounted assets	12,050,651	2,085,470	2,204,257	6,501,631	-	3,475,778	14,267,136
Financial Liabilities:							
Policy holders liabilities							
-Insurance contracts	8,800,323	283,096	701,387	1,264,798	-	6,551,042	8,800,323
-Investment contracts	2,156,174	-	-	-	2,156,174	-	2,156,174
Related party balances	6,248	6,248	-	-	-	-	6,248
Insurance and other payables	459,773	459,773	-	-	-	-	459,773
Short term insurance contract liabilities	9,525	9,525	-	-	-	-	9,525
Deferred reinsurance acquisition revenue	-	-	-	-	-	-	-
Total undiscounted liabilities	11,432,043	758,642	701,387	1,264,798	2,156,174	6,551,042	11,432,043

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

Group	Carrying value	<1 year	1-5 years	>5 years	On demand	Open ended	Total
2015	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial Assets:							
Long term Reinsurance assets	3,042	3,017	25	-	-	-	3,042
Investment in physical properties	110,073	-	-	-	-	110,073	110,073
Investment in unlisted property companies	156,557	-	-	-	-	156,557	156,557
Bonds (Government, public authority, listed & unlisted corporates)	6,362,935	420,968	2,322,578	6,835,433	-		9,578,979
Equity investments	3,911,528	-	-	-	-	3,911,528	3,911,528
Money market instruments	92,126	92,126	-	-	-	-	92,126
Policy loans and other loan advances	408,432	76,084	136,501	195,847	-		408,432
Insurance and other receivables	219,894	219,894	-	-	-	-	219,894
Cash, deposits and similar securities	1,055,086	1,055,086	-	-	-	-	1,055,086
Total undiscounted assets	12,319,673	1,867,175	2,459,104	7,031,280	-	4,178,158	15,535,717
Financial Liabilities:							
Policy holders liabilities							
-Insurance contracts	8,555,331	331,730	818,547	1,486,720	-	5,918,334	8,555,331
-Investment contracts	2,377,782	-	-	-	2,377,782	-	2,377,782
Related party balances	2,140	2,140	-	-	-	-	2,140
Insurance and other payables	431,032	431,032	-	-	-	-	431,032
Short term insurance contract liabilities	5,815	5,815	-	-	-	-	5,815
Total undiscounted liabilities	11,372,100	770,717	818,547	1,486,720	2,377,782	5,918,334	11,372,100

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained through an actuarial modelling process.

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 is 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 catastrophic 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.

The Group principally issues legal insurance contracts. In the prior years, the Group issued the following types of general insurance contracts, motor, fire, accident, engineering, farming and legal insurance.

The table below shows the concentration of non-life insurance contract liabilities by type of contract. For life insurance contract liabilities please refer to accounting policy notes on page 139 of the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RISK MANAGEMENT (CONTINUED)

Concentration of Non-life insurance contract liabilities
2016

	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Insurance	9,525	-	9,525
	9,525	-	9,525

Concentration of Non-life insurance contract liabilities
2015

	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Insurance	5,815	-	5,815
	5,815	-	5,815

Non Life Claims development history
The following table shows the estimates of cumulative incurred claims for Non life Insurance, including both claims notified and IBNR for each successive year at each reporting date:

Year	2016 P'000	2015 P'000	2014 P'000	2013 P'000
Incurred claims reported	17,980	13,796	18,588	21,412
IBNR	4,804	4,468	3,861	2,931
	22,784	18,264	22,449	24,343

Key assumptions
The non-life business underwrites legal insurance. Underwriting legal insurance business commenced in 2011. The key factors affecting the timing and uncertainty of the insurer's cashflows are average claims costs (mainly driven by inflation), for each year.

Sensitivities- Non-life insurance
The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity:

	Change in assumptions	Gross liabilities	Impact on profit before tax	Impact on equity (after tax)
2016 Average claims cost	+ 3%	9,525	286	223
2015 Average claims cost	+ 3%	5,815	174	136

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 company's assets and liabilities that are measured at fair value at 31 December 2016:

31 December 2016	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable (Level 3)	Total fair value
Non Financial Assets	P'000	P'000	P'000	P'000
Investment properties - Physical properties	-	-	110,747	110,747
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	153,584	153,584
Bonds	3,316,706	-	3,720,063	7,036,769
Government	3,004,110	-	65,780	3,069,890
Corporate bonds - Listed and unlisted	312,596	-	3,654,283	3,966,879
Money market instruments	-	95,381	-	95,381
Equity investments	3,268,382	-	53,812	3,322,194
Policy loans	-	-	21,445	21,445
Other loan advances	-	-	395,085	395,085
	6,585,088	95,381	4,454,736	11,135,205
Financial Liabilities				
Long term policyholder liability - insurance contracts	-	8,800,323	-	8,800,323
Investment contract liabilities	-	2,156,174	-	2,156,174
	-	10,956,497	-	10,956,497
31 December 2015				
Non Financial Assets				
Investment properties - Physical properties	-	-	110,073	110,073
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	156,557	156,557
Bonds	3,172,653	-	3,190,283	6,362,936
Government	2,957,993	-	66,461	3,024,454
Corporate bonds - Listed and unlisted	214,660	-	3,123,822	3,338,482
Money market instruments	-	92,126	-	92,126
Equity investments	3,857,384	-	54,095	3,911,479
Policy loans	-	-	27,914	27,914
Other loan advances	-	-	380,518	380,518
	7,030,037	92,126	3,919,440	11,041,603
Financial Liabilities				
Long term policyholder liability - insurance contracts	-	8,555,332	-	8,555,332
Investment contract liabilities	-	2,377,782	-	2,377,782
	-	10,933,114	-	10,933,114

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. FAIR VALUE DISCLOSURES (CONTINUED)

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 arm's 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.

Investment contract liabilities- 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:

	Investment in physical properties	Equity investments P'000	Policy loans P'000	Other loan advances P'000	Bonds P'000	Total Assets P'000
Level 3 Financial Assets						
31 December 2016						
Opening balance	110,073	54,095	27,915	380,518	3,190,283	3,762,884
Adjusted due to IFRS 13	-	-	-	-	-	
Total gains/(loss) in comprehensive Income	674	-	1,194	-	330,251	332,119
Reclassifications	-	-	-	-	-	-
Acquisitions	-	-	-	-	238,310	238,310
Issues	-	-	-	-	-	-
Disposals	-	(283)	-	-	(38,781)	(39,064)
Foreign currency translation differences	-	-	-	-	-	-
Settlements/ Repayments	-	-	(7,664)	14,567	-	6,903
Closing balance	110,747	53,812	21,445	395,085	3,720,063	4,301,150
31 December 2015						
Opening balance	106,365	74,095	39,372	382,146	2,859,408	3,461,386
Adjusted due to IFRS 13	-	-	-	-	-	
Total gains/(loss) in comprehensive Income	3,708	-	4,642	-	338,290	346,640
Reclassifications	-	-	-	-	-	-
Acquisitions	-	-	321	-	25,000	25,321
Issues	-	-	-	-	-	-
Disposals	-	(20,000)	-	-	(32,415)	(52,415)
Foreign currency translation differences	-	-	-	-	-	-
Settlements/ Repayments	-	-	(16,420)	(1,628)	-	(18,048)
Closing balance	110,073	54,095	27,915	380,518	3,190,283	3,762,884

Gains and losses (realised and unrealised) included in profit or loss

	2016 P'000	2015 P'000
Total gains or losses included in profit or loss for the period	65,068	342,932
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(11,277)	(80,836)

There were no transfers from level 1 to level 2 fair value measurements during the year ended 31 December 2016 (31 December 2015: 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	Main assumptions	**Significant inputs**
Investment in physical properties	3	Discounted cashflow model (DCF)	Consumer Price Index	Estimated cashflows plus capitalization rate (Refer to note 4.4)
Investment in unlisted property companies	3	Market Price for underlying properties	n/a	Market Price for underlying properties
Money Markets	2	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate (Refer to note 4.1)
Equity investments	3	Net fair value of underlying assets	n/a	Net fair value of underlying assets
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)
Listed Bonds	1	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate and cashflows(Refer to note 4.1)
Long term Policy liabilities	2	Current unit price multiplied by the number of units held and Discounted cashflow.	Estimated cash flows and risk adjusted interest rate	Unit price and risk adjusted interest rate
Investment contract liabilities	2	Net fair value of related assets	n/a	Net fair value of related assets

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:

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% increase in capitalisation rate P'000
2016					
Investment in physical properties	110,747	8,638	(8,638)	(8,860)	8,860
Investment in unlisted property companies	153,584	11,980	(11,980)	(12,287)	12,287
Group					
2015					
Investment in physical properties	110,073	8,586	(8,586)	(8,806)	8,806
Investment in unlisted property companies	156,557	12,211	(12,211)	(12,525)	12,525

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. FAIR VALUE DISCLOSURES (CONTINUED)

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 2% increase in capitalisation rate P'000	Effect of a 2% increase in capitalisation rate P'000
2016					
Policy loans	21,445	1,673	(1,673)	(335)	335
Other loan advances	395,085	30,817	(30,817)	(6,163)	6,163
Bonds	3,720,063	290,165	(290,165)	(58,033)	58,033
Total	4,136,593	322,655	(322,655)	(64,531)	64,531

Financial assets: **2015**	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 2% increase in capitalisation rate P'000	Effect of a 2% increase in capitalisation rate P'000
Policy loans	27,915	3,984	(3,984)	(435)	435
Other loan advances	380,518	10,860	(10,860)	(5,936)	5,936
Bonds	3,190,283	224,277	(224,277)	(49,768)	49,768
Total	3,598,716	239,121	(239,121)	(56,139)	56,139

	Carrying amount	Effect of a 2% increase in unit price	Effect of a 2% increase in unit price
Group			
2016	P'000	P'000	P'000
Equity investments	53,812	839	(839)
Group			
2015			
Equity investments	54,095	844	(844)

Investment Policy

The BIHL Group through its asset management company; Botswana Insurance Fund Management Limited (Bifm) which 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 that implements 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 that exists 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. FAIR VALUE DISCLOSURES (CONTINUED)

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.

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below summarises categories of financial assets and financial liabilities held by the Group:

GROUP	Financial assets held at fair value through profit or loss P'000	Loans and receivables P'000	Financial assets held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
31 December 2016					
Financial assets					
Investment in unlisted property companies	153,584				153,584
Bonds (Government, public authority, listed and unlisted corporates)	7,036,769	-	-	-	7,036,769
Money market instruments	95,381	-	-	-	95,381
Equity investments	3,322,194	-	-	-	3,322,194
Policy loans and other loan advances	416,530	-	-	-	416,530
Insurance and other receivables	-	203,977	-	-	203,977
Cash, deposits and similar securities	-	819,280	-	-	819,280
Total financial assets	11,024,458	1,023,257	-	-	12,047,715
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	8,800,323	-	8,800,323
Long term policyholder liability - investment contracts	-	-	2,156,174	-	2,156,174
Related party balances	-	-	-	6,248	6,248
Insurance and other payables	-	-	-	459,773	459,773
Short term insurance contract liabilities	-	-	-	9,525	9,525
Total financial liabilities	-	-	10,956,497	475,546	11,432,043

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Financial assets held at fair value through profit or loss P'000	Loans and receivables P'000	Financial assets held at fair value through profit or loss P'000	Financial liabilities measured at amortised cost P'000	Total P'000
31 December 2015					
Financial assets					
Investment in unlisted property companies	1,565,570	-	-		1,565,570
Bonds (Government, public authority, listed and unlisted corporates)	6,362,935	-	-	-	6,362,935
Money market instruments	92,126	-	-	-	92,126
Equity investments	3,911,528	-	-	-	3,911,528
Policy loans and other loan advances	408,432	-	-	-	408,432
Insurance and other receivables	-	219,894	-	-	219,894
Cash, deposits and similar securities	-	1,055,086	-	-	1,055,086
Total financial assets	12,340,591	1,274,980	-	-	13,615,571
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	8,555,332	-	8,555,332
Long term policyholder liability -investment contracts	-	-	2,377,782	-	2,377,782
Related party payables	-	-	-	2,140	2,140
Insurance and other payables	-	-	-	431,032	431,032
Short term insurance contract liabilities	-	-	-	5,815	5,815
Total financial liabilities	-	-	10,933,114	438,987	11,372,101
COMPANY					
31 December 2016					
Financial assets					
Trade and other receivables	-	11,762	-	-	11,762
Related party balances	-	12,176	-	-	12,176
Cash, deposits and similar securities	-	14,406	-	-	14,406
Total financial assets	-	38,344	-	-	38,344
Financial liabilities					
Trade and other payables	-	-	-	29,879	29,879
Related party payables	-	-	-	2,183	2,183
Total financial liabilities	-	-	-	32,062	32,062
31 December 2015					
Financial assets					
Trade and other receivables	-	21,650	-	-	21,650
Related party balances	-	149,233	-	-	149,233
Cash, deposits and similar securities	-	47,860	-	-	47,860
Total financial assets	-	218,743	-	-	218,743
Financial liabilities					
Trade and other payables	-	-	-	27,788	27,788
Related party payables	-	-	-	10,804	10,804
Total financial liabilities	-	-	-	38,592	38,592

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. PRIOR PERIOD ERROR

The Consolidated Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity at 31 December 2015 were restated to correct the withholding tax expense of P9 997 338.00 on an accrued dividend of P133 297 838.00. The dividend was receivable from a subsidiary (BLIL) and the WHT expense was not accounted for in the books of the receiving company (BIHL).

The impact on the affected lines were as follows:

	Group			Company		
	As previously reported P'000	Correction P'000	Restated P'000	As previously reported P'000	Correction P'000	Restated P'000
Group consolidated statement of financial position						
Related party balances - receivables	-	-	-	149,233	(9,997)	139,236
Retained earnings	2,307,103	(9,997)	2,297,106	467,085	(9,997)	457,088
Tax payable	9,136	9,997	19,133	-	-	-
Group consolidated Income statement position						
Tax expense	(123,945)	(9,997)	(133,942)	(34,267)	(9,997)	(44,264)

There was no impact on the Consolidated Statement of Cash Flows.

28. EVENTS AFTER REPORTING PERIOD

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 67 thebe (2015: 67 thebe) per share (gross of tax).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-sixth Annual General Meeting of Botswana Insurance Holdings Limited will be held at Avani Conference Centre, Gaborone Botswana on 30 June 2017 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 2016, 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 17 August 2016 and 22 February 2017.

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) Gerrit van Heerde
b) John Hinchliffe
c) Mahube Mpugwa

Ordinary Resolution No 3.1 – Re-election of G van Heerde as a Director
To re-elect G van Heerde who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Gerrit van Heerde (49)
Non-Executive Director since 03 September 2014

Qualifications: B. Com degree from the University of the North West, an Honours degree from Stellenbosch University and an EDP from Manchester Business School. Fellow of the Institute and Faculty of Actuaries in the UK and of the Actuarial Society of South Africa.

BIHL Committee membership: Audit and Risk, Human Resources and Investment Committee

BIHL Group directorships: Botswana Insurance Fund Management Limited

Major external positions, directorships or associations: Group Executive: Client and Product Strategy at Sanlam Emerging Markets (Proprietary) Limited; Director, Letshego Holdings Limited

Field of expertise: Actuarial; Financial Markets and Investment and Risk Management

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.2 – Re-election of J Hinchliffe as a Director

To re-elect J Hinchliffe who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

John Hinchliffe (60)
Independent Non-Executive Director since1 June 2010

Qualifications: BA (Econ) Hons (Manchester University), FCA (England & Wales) FCA (BICA): Fellow of the Institute of Chartered Accountants in England and Wales.

BIHL Committee membership: Audit and Risk, Independent Review,

BIHL Group directorships: Botswana Life Insurance Limited; BIHL Insurance Company Limited t/a Legal Guard

Major external positions, directorships or associations: DCDM Consulting (Proprietary) Limited; Nsenya (Proprietary) Limited; Portion 84 Mokolodi Sanctuary (Proprietary) Limited; Botswana Insurance Company Limited

Field of expertise: Accounting, General Business and Financial Management

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.

M Mpugwa (49)
Independent Non-Executive Director since 1 June 2010

Qualifications: BA (Hons University of Windsor; a certificate in Business Leadership; MBA (Stratchclyde University's Graduate School of Business).

BIHL Committee membership: BIHL Investment; BIFM Credit, BIFM Investment

BIHL Group directorships: Botswana Insurance Fund Management Limited

Major external positions, directorships or associations: Managing Director at Puma Energy Botswana; Master Timber (Proprietary) Limited; Pioneer Livestock Feeds

Field of expertise: General Business and Marketing

The Board recommends the re-election of this Director.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

5. Ordinary Resolution 4:
To note the total amount of Non-Executive Directors and Executive Directors' remuneration for the financial year ended 31 December 2016.

To note the total amount of Directors' remuneration set out in the BIHL Annual Report, Non-Executive Directors' page 88 and Executive Director's page 184 for the financial year ended 31 December 2016.

6. Ordinary Resolution 5:
To approve the remuneration of the auditors for the year ended 31 December 2016.

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.

SPECIAL BUSINESS:

1. Ordinary Resolution 7: BIFM CEE
To approve a citizenship economic empowerment structure for the citizen employees of Botswana Insurance Fund Management ("BIFM") through the transfer of the Company's 25.1% equity holding in BIFM to a special purpose vehicle that will enable BIFM citizen employees to benefit from the share allocation and dividend distributions of an employee share trust.

To authorize the Directors of the Company to execute and to do all such acts as may be required to give effect to this resolution.

2. Special Resolution 1: Amendment of Constitution
To propose, consider and pass the following special resolution:

It is RESOLVED to amend clause 5.1. of the Constitution of the Company through the insertion of clauses 5.1. (b) and (c) to allow Directors of the Company to issues shares of the Company to the Company's Employee Share Scheme and Conditional Share Plan. The amendments are to read as follows:

5.1 Issue of new Securities

a) The Board may issue shares or other Securities to any person and in any number it thinks fit for cash or in kind provided that any new issue shall be offered to existing shareholders pro rata their shareholding save where the shares are issued for the acquisition of assets and the issue is made in compliance with Section 53 of the Act.

b) Notwithstanding clause 5.1. (a) above, the Directors may issue shares to the Company's Employee Share Option Scheme and Conditional Share Plan at the weighted average price of a share as quoted on the BSE for the preceding two (2) weeks before such purchase.

c) Such issue of shares in terms of 5.1. (b) shall not be offered to existing shareholders pro rata their shareholding."

A copy of the Constitution of the Company is available for inspection at the Company's registered office.

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 30 June 2017 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 30 June 2017, 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 2016			
2.	Ordinary resolution number 2 - to approve the dividends declared by the Directors on 17 August 2016 and 22 February 2017			
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. Mr. Gerrit van Heerde			
	3.2. Mr. John Hinchliffe			
	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 2016			
6.	Ordinary resolution number 5 - to approve the remuneration of the auditors for the year ended 31 December 2016			
7.	Ordinary resolution number 6 - to appoint auditors for the coming year to 31 December 2017			
8.	Ordinary resolution number 7 - To approve a citizenship economic empowerment structure for the citizen employees of Botswana Insurance Fund Management ("BIFM") through the transfer of the Company's 25.1% equity holding in BIFM to a special purpose vehicle that will enable BIFM citizen employees to benefit from the share allocation and dividend distributions of an employee share trust.			
9.	Special Resolution 1 - To propose, consider and the following special resolution: It is RESOLVED to amend clause 5.1. of the Constitution of the Company through the insertion of clauses 5.1. (b) and (c) to allow Directors of the Company to issues shares of the Company to the Company's Employee Share Scheme and Conditional Share Plan.			

Signed at ________________________ on the _________________ day of 2017

Signature______________________________

NOTES TO FORM OF PROXY

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 2016, 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 2016 results	March 2017
Annual report sent on or about	06 June 2017
Annual General Meeting	30 June 2017
Interim results published	September 2017

Dividends

2016 Final dividend payment	21 April 2017

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 Financial Centre Plot 50374, Off Machel Drive 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.