BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

2015 INTEGRATED ANNUAL REPORT

Bifm Botswana Life LEGAL GUARD

INTRODUCTION TO THE REPORT

Dear BIHL friends and family,

It gives me great pleasure to present to you, on behalf of the Board, management, and the many, many hands, hearts and minds of BIHL staff, the 2015 Annual Report of BIHL Group.

Each year, as we prepare the Annual Report, we look forward to the time spent reflecting and introspecting on the year passed. What have we done to add value to all of our stakeholders? How have we grown, in every sense of the word? How can we do better? How can we be better?As I bid adieu to what has been an incredible 12 years as part of the BIHL family, moving on to a new chapter, the preparation of this Report was not only a reflection of the last 12 months. Rather, it was a journey back to each and every day, month and year I have spent working across this business. What we look back upon is a people who have a fiery passion for helping make an impact in their business, their community, and their country. We look back at customers, clients, partners and shareholders who placed their trust in us, and whom we worked tirelessly to reward for that fact. We look back at our growing Strength in Numbers – our people, our talent, our resources, and the inherent fervour for excellence within each and every person associated with the BIHL brand, inclusive of each of our three subsidiaries.I, personally, have enjoyed a tremendous time at BIHL, taking comfort in the fact that while I move on, as is true of everyone who walks through the proverbial doors of this great business, I will always be a part of the BIHL family; indeed I would not have it any other way. Thus, as you peruse the pages of this Report, the BIHL team thanks you wholeheartedly for being a part of our growing strength, and hope you are filled with as much pride and confidence in this phenomenal group as I continue to be each day.

Gaffar Hassam

Corporate Information

ADMINISTRATION

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

Registered Office
Plot 66458
PO Box 336,
Gaborone
Fairgrounds Financial Centre
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
Rorisang Modikana

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
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Tel: +267 3645100; Fax: +267 3906386
www.botswanalife.co.bw

Botswana Insurance Fund Management Limited
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Private Bag BR 185
Gaborone
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
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Tel: +267 363 4700
Fax: +267 390 7353
www.legalguard.co.bw

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ABOUT THIS REPORT

Committees

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

Referencing Sections

Further Reading · Available online · Case Study

At BIHL Group, we have a value (see page 13) that declares "Service Excellence" and another that says "Innovation." Without any doubt, we believe this Report speaks to these values. We are proud of our achievements and are humbled to be able to serve Botswana the way we do. We hope you find this Report a pleasure to read, as every effort has been made to ensure we add value for every friend of the BIHL Group.

INTRODUCTION TO THE GROUP

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Corporate governance and a strong focus on strong governance practices lay at the very heart of how we do business.

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A 40 year journey of the BIHL Group narrative.

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Exciting developments celebrated with friends and family of the Group.

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RESULTS AT A GLANCE

Financial Highlights

Operating Profit

+34%
to P386.1 million

Dec 14 = P287.2 million

Embedded Value

+13%
to P4.3 billion

Dec 14 = P3.8 billion

Value of New Business

+15%
to P170.5 million

Dec 14 = P148.2 billion

Assets under Management

-28%
to P20.9 million

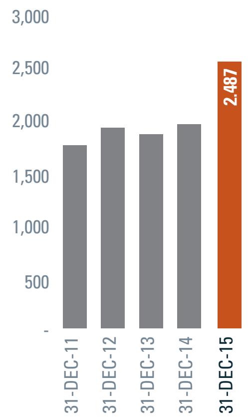
Dec 14 = P28.9 billion

	31-Dec-15 P'000	31-Dec-14 P'000	% Change
GROUP SUMMARY			
Premium income (net of reinsurance)	2,487	1,987	25%
Value of new business	170	148	15%
Operating profit	386	287	34%
Profit from continuing operations	598	520	15%
Assets under management	20,900	28,900	(28%)
Ordinary shareholders' equity	2,923	2,686	9%
Total assets	14,341	14,855	(3%)
Embedded value	4,302	3,824	13%
PRODUCTIVITY			
Operating expenses to premium income and asset management fees	13%	15%	
Selling expenses to premium income	13%	13%	
Return on embedded value	22%	24%	
SOLVENCY AND LIQUIDITY			
Capital adequacy cover (times)- Life business	8.80	11.29	
Dividend cover on core earnings** (times)	1.49	1.48	
ORDINARY SHARE PERFORMANCE			
Basic earnings thebe per share	218	183	19%
Diluted earnings thebe per share	215	181	19%
Dividend thebe per share: - interim	55	42	31%
- final proposed	87	45	93%
Embedded value thebe per share	1,574	1,400	12%
Trading prices (thebe per share)			
closing price	1,520	1151	32%
high	1,520	1151	32%
low	1,151	1054	9%
Price earnings ratio	6.98	6.29	11%
Domestic Companies Index (DCI)	10,602.32	9,501.60	12%
Number of shares in issue ('000)	281,071	281,071	0%
Number of shares traded ('000)	9,626	19,604	(51%)
Market capitalisation (P million)	4,272	3,235	32%
Number of shareowners	2,876	2,873	-
Earnings yield (%)	16.30	16.60	(2%)
Dividend yield (%)	12.91	7.91	63%

** Core earnings include operating profit and shareholder investment income

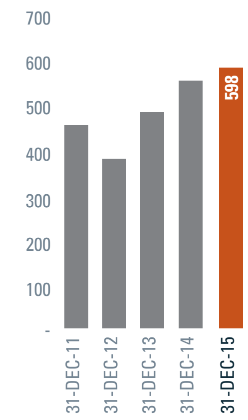
Premium Income (P billion)

(Pbn) +25%



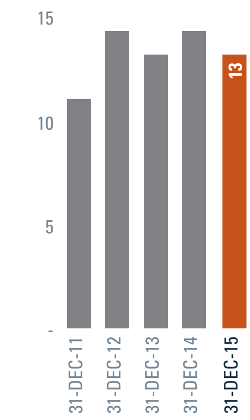
Profit after Tax

(Pmil) +15%



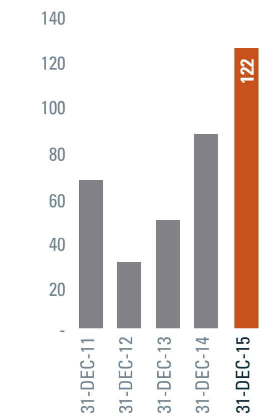
Investments

(Pbn) (8%)



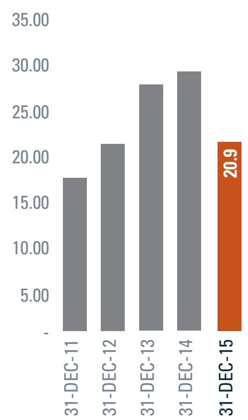
Dividend per Share

(Thebe) +40%



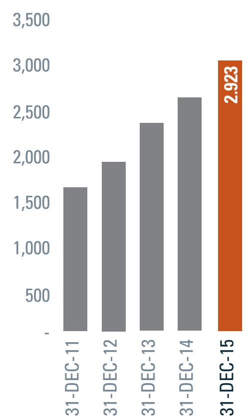
Assets under Management

(Pbn) (28%)



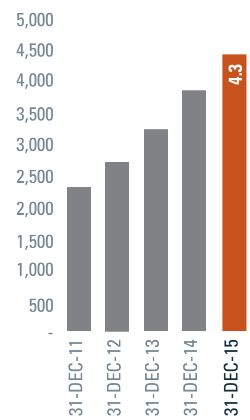
Shareholder's Equity

(Pbn) +9%



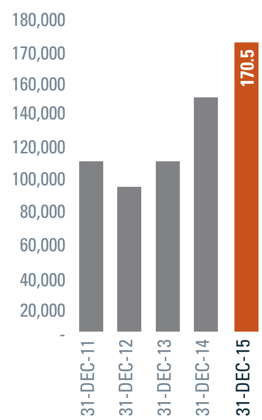
Embedded Value

(Pbn) +13%



Value of New Business

(Pm) +15%



+34%

Operating Profit

Dec 14 = **P287.2 million**

NEW BUSINESS:
Realising opportunities in the wider financial services sector that increase the value of existing new business.

GROWTH:
Increase in business operations, value, and potential whilst working to achieve business objectives and create value for customers and shareholders.

TEN YEAR REVIEW

for the year ended 31 December 2015

	Year to 31-Dec-15 P'000	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000
GROUP CONSOLIDATED INCOME STATEMENT			
Continuting operations			Restated
Net insurance premium income	2,487,265	1,986,683	1,878,026
- Recurring	1,078,940	970,724	914,650
- Single	1,408,325	1,015,959	963,376
Fee revenue	88,447	110,915	98,039
Fair value gains on investment properties	-	-	-
Investment income	684,327	972,569	594,856
(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	1,095,286	(161,013)	2,343,127
Total revenue	4,355,325	2,893,276	4,914,048
Net insurance and investment contract benefits and claims	(3,173,297)	(1,944,801)	(3,995,068)
Policyholder benefits paid	(1,297,284)	(1,192,395)	(1,054,527)
Change in liabilities under investment contracts	(674,663)	(205,052)	(1,719,987)
Change in liabilities under insurance contracts	(1,201,350)	(547,354)	(1,220,554)
Expenses	(647,127)	(575,135)	(524,857)
Selling expenses	(323,517)	(258,899)	(244,410)
Administration expenses	(323,610)	(316,236)	(280,447)
Profit before share of profit of associates and joint venture	534,901	373,340	394,123
Share of profit of associates and joint venture	186,728	253,618	189,202
Profit before tax from continuing operations	721,629	626,958	583,325
Tax expense	(123,945)	(107,495)	(84,621)
Profit from continuing operations	597,684	519,463	498,704
Discontinued operations			
Loss after tax for the period from discontinued operations	-	(14,750)	(3,931)
Profit on sale of short-term insurance business	-	932	-
Loss for the year on discontinued operations	-	(13,818)	-
Profit for the year	597,684	505,646	494,773
Earnings per share (thebe)			
- basic	218	183	183
Gross dividends per share (thebe)	142	87	50
Weighted average number of shares in issue ('000)	273,310	273,046	269,779

Profit Before Tax Dec '15 = **P722 million**

Our ten year performance has brought us to the enviable position where we returned P211 million in Profits Before Tax to our shareholders in 2005, to a significant P722 million in profits before tax in 2015. This is a threefold improvement.

	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	Year to 31-Dec-06 P'000
	1,949,585	1,767,046	1,620,512	1,253,413	958,636	791,281	678,983
	887,972	877,636	754,096	682,577	565,313	447,885	371,750
	1,061,613	889,410	866,417	570,836	393,323	343,396	307,233
	74,700	110,944	137,249	120,623	121,308	110,316	81,466
	-		-	-	8,768	80,682	23,221
	628,915	749,577	470,190	479,984	463,214	604,233	490,223
	6,075	33,785	-	-	-	-	-
	452,917	134,323	(180,785)	1,002,835	(2,006,255)	1,178,752	1,823,525
	3,112,192	2,795,675	2,047,167	2,856,855	(454,329)	2,765,264	3,097,418
	(2,314,707)	(1,935,869)	(1,182,594)	(2,178,644)	1,012,143	(1,907,840)	(2,516,038)
	(904,175)	(907,459)	(712,524)	(524,344)	(418,695)	(343,149)	(257,557)
	(383,646)	(400,986)	(132,674)	(850,960)	1,534,843	(1,038,206)	(1,700,829)
	(1,026,885)	(627,424)	(337,396)	(803,342)	(104,008)	(526,488)	(557,652)
	(508,636)	(465,265)	(534,852)	(447,815)	(332,115)	(257,737)	(190,604)
	(219,165)	(219,687)	(297,649)	(245,028)	(165,735)	(118,067)	(73,241)
	(289,471)	(245,578)	(237,203)	(202,787)	(166,380)	(139,670)	(117,363)
	288,849	394,540	329,721	230,397	225,698	599,687	390,776
	196,482	133,872	72,217	26,821	9,802	4,001	2,304
	485,331	528,412	401,938	257,217	235,500	603,688	393,080
	(90,936)	(57,083)	(69,456)	(19,544)	(14,037)	(49,867)	(77,021)
	394,395	471,329	332,481	237,672	221,462	553,820	316,059
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	394,395	471,329	332,481	237,672	221,462	553,820	316,059
	146	174	122	87	77	206	119
	35	66	66	77	56	56	42
	268,110	265,812	263,979	261,967	262,567	259,519	259,833

TEN YEAR REVIEW

	Year to 31-Dec-15 P'000	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000
GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
as at 31 December 2015			
Property and equipment	155,504	20,138	20,827
Intangible assets	122,708	122,410	150,898
Investments	12,783,331	13,852,451	13,033,188
Trade and other recievables	224,047	201,522	282,154
Cash deposits and similar securities	1,055,086	658,468	580,675
Total assets	14,340,676	14,854,989	14,067,742
Ordinary shareholders' equity	2,922,605	2,686,067	2,405,401
Non-controlling interests	18,474	18,569	34,912
Policyholder liabilities	10,933,114	11,641,698	11,123,238
- insurance contracts	8,555,332	7,350,937	6,809,709
- investment contracts	2,377,782	4,290,761	4,313,530
Deferred tax liability	18,360	33,209	23,790
Trade and other payables	448,123	475,446	480,400
Total equity and liabilities	14,340,676	14,854,989	14,067,742
GROUP STATEMENT OF CASH FLOWS			
for the year ended 31 December 2015			
Cash (utilised in)/generated from operating activities	(1,435,637)	290,693	(4,427,312)
Interest received	121,144	428,116	453,687
Tax paid	(139,786)	(54,004)	(94,206)
Dividends (paid)/received	(96,348)	(21,786)	96,202
Cash flow from operating activities	(1,550,627)	643,019	(3,971,630)
Cashflow from/(utilised in) investing activities	1,947,245	(565,225)	3,791,760
Net cash flows generated from/(utilised in) financing activities	-	-	-
Net increase/(decrease) in cash and cash equivalents	396,618	77,794	(179,870)
Cash and cash equivalents at the beginning of the year	658,468	580,674	760,539
Cash and cash equivalents at the end of the year	1,055,086	658,468	580,674

Total assets for the Group have maintained a steady upward trend over the past decade.

In 2005, the value was P6.9 billion. Today, this figure is approaching the P15 billion mark.

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	Year to 31-Dec-06 P'000
10,911	12,561	15,854	18,487	16,890	13,962	20,666
154,001	146,735	140,782	82,622	79,821	16,337	14,649
14,281,694	11,111,149	10,428,159	9,648,070	7,880,357	10,015,626	8,876,477
209,722	209,360	206,991	218,458	165,689	65,764	62,004
760,539	1,248,600	1,376,228	1,414,988	1,384,478	672,170	255,198
15,416,868	12,728,405	12,168,015	11,382,626	9,527,235	10,783,859	9,228,994
1,944,961	1,690,795	1,374,259	1,261,805	1,331,035	1,317,057	849,136
33,651	36,050	31,588	35,042	31,095	55,006	21,172
12,966,214	10,587,045	10,311,402	9,762,230	7,819,021	9,129,979	8,140,007
5,592,069	4,573,613	3,957,129	3,633,013	2,817,683	2,683,973	2,157,459
7,374,144	6,013,433	6,354,273	6,129,217	5,001,338	6,446,006	5,982,548
17,939	12,726	19,050	21,090	49,760	70,246	50,664
454,103	401,789	431,716	302,459	296,324	211,571	168,015
15,416,868	12,728,405	12,168,015	11,382,626	9,527,235	10,783,859	9,228,994

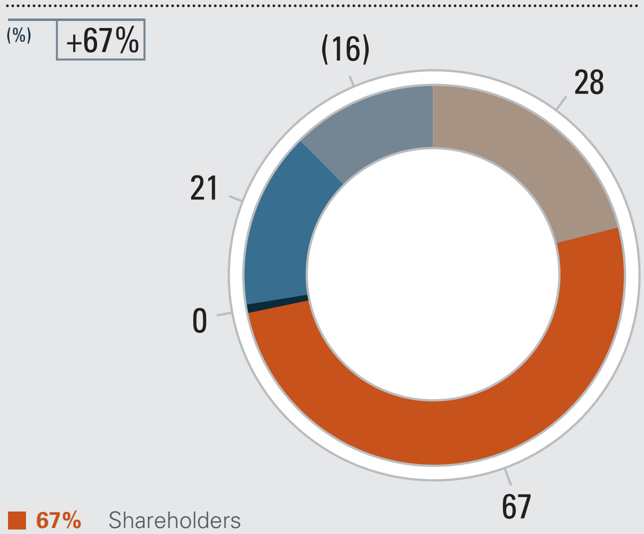
1,785,568	(85,378)	937,655	2,123,616	(1,109,328)	1,184,913	106,098
329,167	425,096	45,502	35,115	74,364	45,495	32,502
(106,695)	(69,253)	(59,179)	(40,263)	(46,656)	(44,276)	(50,044)
13,790	65,353	(205,307)	(240,246)	(157,220)	(152,840)	(88,610)
2,021,829	335,818	718,671	1,878,222	(1,238,840)	1,033,292	(54)
(2,509,890)	(463,446)	(757,432)	(1,847,712)	1,951,148	(616,320)	(954,666)
-	-	-	-	-	-	-
(488,061)	(127,628)	(38,761)	30,509	712,308	416,972	(954,720)
1,248,600	1,376,228	1,414,988	1,384,479	672,170	255,198	1,209,918
760,539	1,248,600	1,376,228	1,414,988	1,384,478	672,170	255,198

VALUE ADDED STATEMENT

for the year ended 31 December 2015

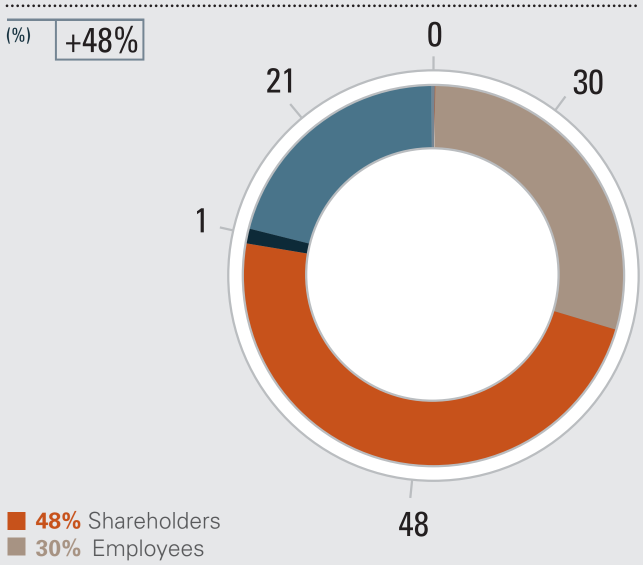
	2015 P'000	2014 P'000
VALUE ADDED		
Income from operations	2,542,095	2,273,176
Operating expenditure	(647,127)	(575,135)
Policyholder benefits paid	(1,297,284)	(1,192,395)
	597,684	505,646
VALUE DISTRIBUTED		
To employees		
Salaries, wages and other benefits	169,316	170,062
To ordinary shareholders		
Dividends - Normal	399,120	244,531
To minority shareholders	2,627	6,108
To Government		
Taxation	123,945	107,495
To expansion and growth		
Reinvested in the business for future growth	(121,672)	(26,462)
Amortisation	9,153	7,678
Depreciation	8,190	6,749
Deferred taxation	7,006	10,837
	(97,324)	(1,198)
	597,684	505,646
Summary		
Employees	28%	30%
Shareholders	67%	48%
Minority shareholders	0%	1%
Government	21%	21%
Retained for expansion and growth	(16%)	0%
	100%	100%

Value Added Distribution 31 December 2015



- 67% Shareholders
- 28% Employees
- (16)% Retained for expansion and growth
- 21% Government
- 0% Minority shareholders

Value Added Distribution 31 December 2014



- 48% Shareholders
- 30% Employees
- 0% Retained for expansion and growth
- 21% Government
- 1% Minority shareholders

SHARE ANALYSIS - ORDINARY SHARES

for the year ended 31 December 2015

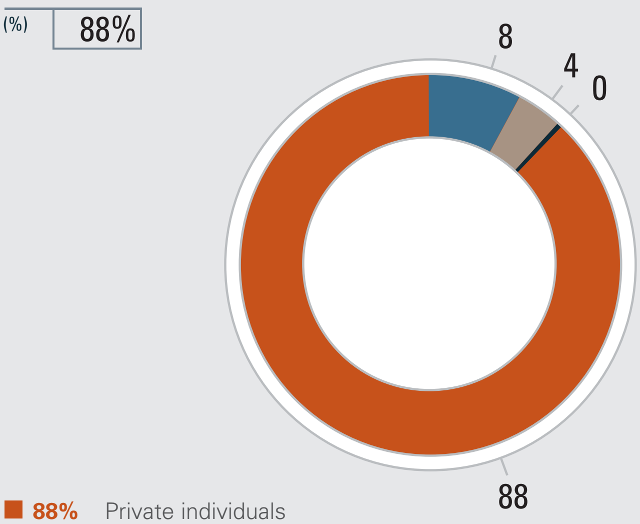
	SHAREHOLDERS Number of holders	% of Shareholders	SHARES HELD 2015 Shares held	% of issued shares
1- 5,000	2,215	77.02%	2,099,673	0.75%
5,001-10,000	239	8.31%	1,664,805	0.59%
10,001- 50,000	278	9.67%	5,988,042	2.13%
50,001-100,000	39	1.36%	2,861,853	1.02%
100,001- 500,000	76	2.64%	17,042,539	6.06%
500,001 - 1,000,000	10	0.35%	6,660,605	2.37%
OVER 1,000,000	19	0.66%	244,753,135	87.08%
Total	2,876	100.00%	281,070,652	100.00%

Top ten shareholders

SCBN (PTY)LTD SANLAM EMERGING MARKETS:BW0000016225	116,328,299	41.39%
AFRICAN LIFE ASSURANCE COMPANY (BOTSWANA)(PTY) LTD	48,603,380	17.29%
FNB NOMINEES (PTY)LTD RE:AGRAY BPOPF 10001010	13,478,608	4.80%
MOTOR VEHICLE ACCIDENT FUND	10,735,164	3.82%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ACB BPOPF	8,689,050	3.09%
FNB BW NOMS(PTY) LTD RE: IAM BPOPFP 10001031	7,603,409	2.71%
STANBIC NOMINEES RE: BIFM	7,406,988	2.64%
FNB BOTSWANA NOMINEES (PTY) LTD RE:AA BPOPF EQUITY	7,322,815	2.61%
FNB BOTSWANA NOMINEES (PTY) LTD RE: BIFM BPOPF-EQU	5,714,318	2.03%
FNB BOTSWANA NOMINEES (PTY) LTD RE: ACB BPOPF WPPP	4,383,211	1.56%
OTHERS	50,805,410	18.08%
	281,070,652	100.00%

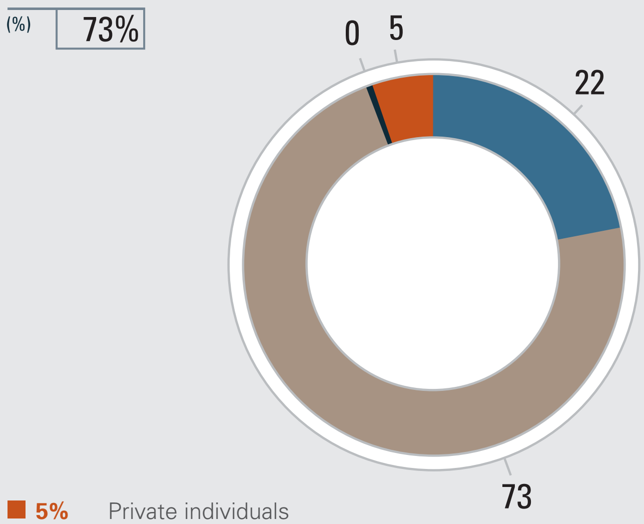
Category	Shareholders Number	%	Shares held Number	%
Corporate bodies	227	8%	61,968,730	22%
Nominees companies	113	4%	203,561,024	73%
Trust accounts	5	0%	837,206	0%
Private individuals	2,531	88%	14,703,692	5%
	2,876	100.00%	281,070,652	100.00%

Breakdown of Shares 2015



- 88% Private individuals
- 4% Nominees companies
- 8% Corporate bodies
- 0% Trust accounts

Breakdown of Shares Held 2015



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

BIHL Group at a glance

The Corporate Office of BIHL Group is responsible for centralised functions that include strategic direction, Group financial and risk management, Group marketing and communications, Group human resources and Corporate Social Investment.

BIHL core businesses

Life Insurance	**Asset** Management	**Short-term** Insurance	**Other** Services

Bifm · Botswana Life · Legal Guard

BIHL GROUP

Our roots

We are a leading financial services group, originally established as a life insurance company in 1975. We listed on the BSE in 1991. Our Head Office is in Gaborone and we have subsidiary branches throughout Botswana.

Our vision

Our Vision is to be a significant regional financial services provider through optimisation of the Group's collective strength.

Our Strategy

BIHL's strategic goal is to become a broad-based financial services company offering a diverse range of products and services within Botswana and across the Southern African region. We have achieved market-leading growth and have sustained BIHL Group as a profitable company, with a healthy capital position, that is well placed to withstanding market volatility and sustaining its performance over the long term. The keystone of our Strategy is to leverage the collective muscle of our industry leading brands. Thus our brand identity speaks to this with our tag line proclaiming: "Strength in Numbers."

What we do

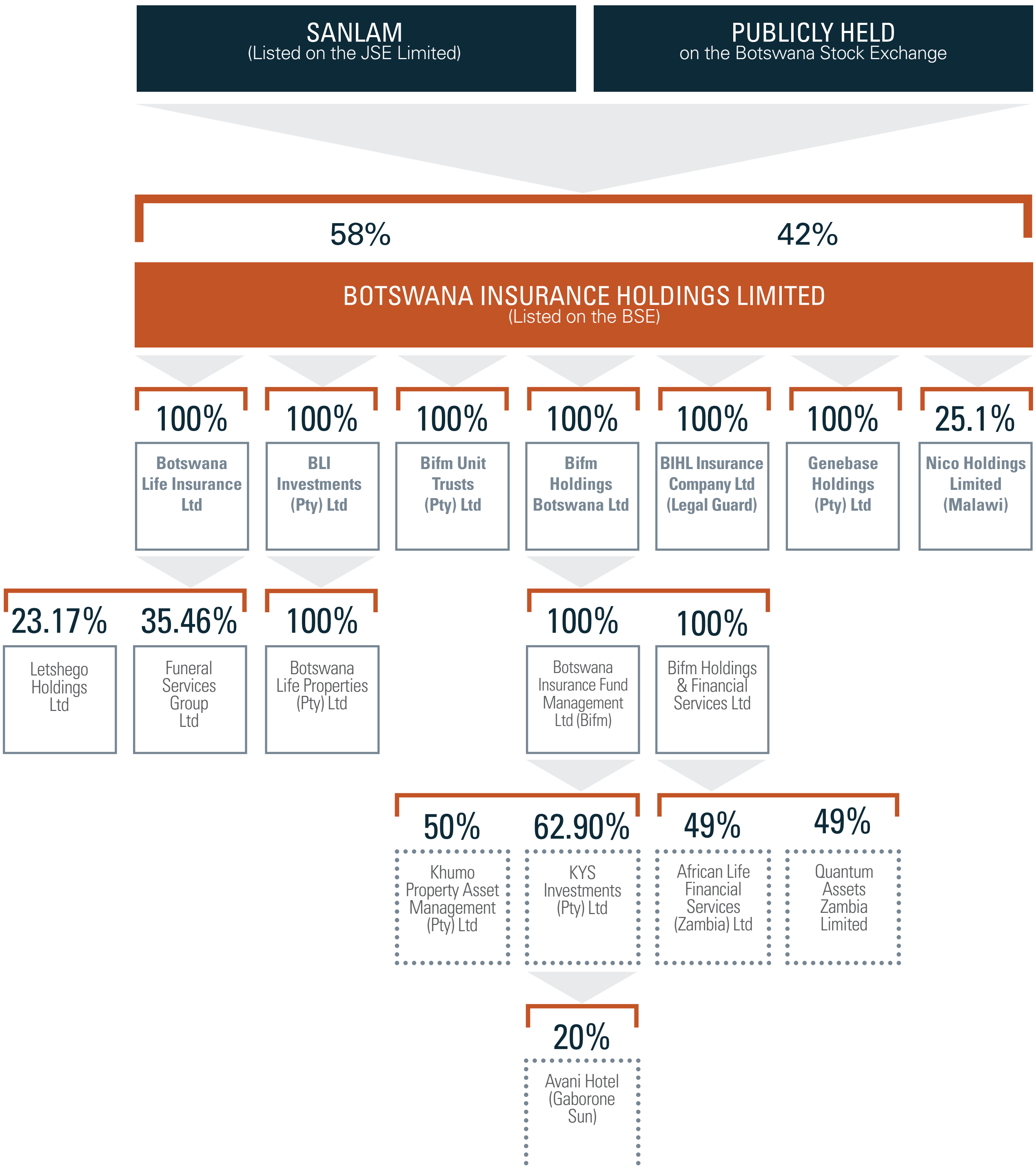
We provide financial solutions to individual and institutional clients. These solutions include individual, group, and short term insurance, savings and linked products, asset management, and employee benefits.

Our values

Our core Values are:
- Teamwork;
- Integrity;
- Service Excellence; and
- Innovation.

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.



Strategy Update

2015 was a truly worthwhile year in the area of strategy implementation at BIHL.

The Group's twin strategy of growth and profitability yielded pleasing results in the short-term, creating a good foundation for future performance. Achievement of strategic targets during the year was a result of disciplined implementation by all the subsidiaries of the Group. Our five pillar strategy served as a guiding framework at every point of strategy execution.

Details of specific achievements under each pillar are as follows:

01

MARKET SHARE, PROTECTION AND GROWTH

Our aim is to maintain customer focus in order to defend market position in our established businesses, capturing market share in the newer subsidiaries in order to create value for customers and shareholders.

Refer to Group CEO's Report on page 32

2015 Update

As a Group, we are stern advocates of protecting our existing businesses and associated market share. Our continued, combined view of improving service delivery and retention of our customers paid off during the year with higher customer satisfaction ratings. BIHL Unit Trusts, which is among the younger businesses for the Group, recorded increased inflows with greater growth towards the end of the year, progressing well to being a positive contributor to the sustainable growth of the Group. Beginning with the life business in 2015, our loyalty programme uptake was impressively higher than anticipated. Bifm maintained profitability during the year by adopting a resilient model in a highly competitive Asset Management industry. Legal Guard progressed well mainly through increased focus on the customer offering.

2014 Update

Through combined effort and focus on innovation as well as customer services, BIHL subsidiaries collectively contributed significantly to the Group's growing revenue. The Group upheld its dominance in the life insurance industry, with more than a three quarter share of the market. Asset Management similarly continued to be a significant industry player, ending the year with favourable Assets Under Management. During the year, a good foundation was established for the new Unit Trust business and steady inflows have begun from both individuals and corporates.

50% Shareholding

BIHL acquired 50% shareholding in Teledimo (Pty) Ltd, **which owns** 100% of Botswana Insurance Company Limited**, the oldest and largest short term insurer in Botswana.**

02

NEW INVESTMENTS

BIHL intends to utilise available capital to stimulate growth through the identification of new opportunities in the wider financial services sector in Botswana. Furthermore, the Group seeks to find new growth beyond country borders with select partners.

Refer to Group CEO's Report on page 32

2015 Update

In 2015, BIHL achieved significant milestones in the Group's broader financial services diversification goals, both in Botswana and the region. Locally, BIHL acquired 50% shareholding in Teledimo (Pty) Ltd, which owns 100% of Botswana Insurance Company Limited, the oldest and largest short term insurer in Botswana. Participation in the short-term industry is expected to expand BIHL's income stream to include the short-term insurance industry. Another significant investment during the year was a 25.1% acquisition of stake in Nico Holdings Malawi, which operates in 5 countries; namely: Malawi, Zambia, Tanzania, Uganda and Mozambique. The Group will monitor these investments closely in order to extract value from these. BIHL further increased shareholding in our associate, Funeral Services Group (FSG), from 34% to 35.46%. This business has consistently produced good results and is expected to continue this performance trend.

2014 Update

Investments in Letshego and FSG continue to add considerable value to our results. The Group remains committed to finding the right blend of businesses and partners as an optimum diversified financial services provider. In order to identify these partners, BIHL conducted thorough industry exploration. This involved, amongst other things, identification and consideration of a multitude of current growth opportunities within the financial services industry. Exploratory discussions continued with target businesses in these sectors with the intention to identify the right fit for BIHL. Furthermore, BIHL continually reviews the current portfolio of businesses it has invested in. It was based on this review that a decision was reached to sell the BIHL Sure! general lines book to Botswana Insurance Company and remain with Legal Guard, a deal that was concluded at the end of 2014.

STRATEGY UPDATE

03

GROUP SYNERGIES

The strength of existing businesses and functions at BIHL, including resources and expertise, will be harnessed to derive greater value to the Group.

Refer to Group CEO's Report on page 32

2014/2015 Update

As a group of companies, BIHL and its subsidiaries have worked as a team to support growth and efficiencies in other parts of the business. Existing strengths and experience in the areas of leadership, customer service and selling, results in growth of the smaller businesses and sustenance of the more mature subsidiaries.

04

OPERATIONAL EFFICIENCIES

BIHL Group strives to remove waste and unnecessary costs in all its operations, leading to improved customer focus and profitability.

Refer to Group CEO's Report on page 32

2014/2015 Update

There was considerable effort towards improving the efficiencies of our operations across the Group with intention to improve service delivery to our customers and reduce waste in the businesses.

Enhancements to our technological solutions, including convenience measures such as greater online and telephony client support were achieved during the year.

Rationalisation of the Bifm business was also implemented during the year to improve efficiencies.

+25.1%

DIVERSIFICATION:

Nico Holdings Malawi operates in 5 countries; namely: Malawi, Zambia, Tanzania, Uganda and Mozambique

VALUE:

The Group will monitor these investments closely in order to extract value from them

05

PEOPLE

Our people have always been and continue to be the heart of our business. Through their hard work, dedication and passion for excellence, we are always ready to lead the charge in making this Group, this family, an ever stronger success.

Refer to Group CEO's Report on page 32

2015 Update

Being in the service industry, the size and profitability of this group to date is reflective of the human capital strength that exists at BIHL. Staff is viewed as critical to the required success. Thus, necessary enablement of a high performance culture and skills alignment becomes an imperative in supporting future growth.

2014 Update

Our people remain our key resource and at the centre of the BIHL Group's success. Training and development was a key focus during the year, with emphasis on our leadership and distribution capabilities. Development included a combination of on the job training and coaching, as well as formal training. As part of the Group's interest in preserving the health of our staff, an actively managed comprehensive wellness programme over the year saw improved participation and greater health awareness.

OUR HISTORY

1975

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

1981

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

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.

1999

ADVANCING EDUCATION

In conjunction with the 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.

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 off its position as the oldest asset management business in the country, and the wealth of heritage that comes with this.

Bifm
Dynamic Wealth Management

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.

2014

BLIL CEO Catherine Lesetedi-Letegele earns recognition through a Sanlam Group Chief Executive Officer's Eagle Award and as a finalist in the CEO Magazine under the category of Africa's Most Influential Women in Business and Government for 2014.

2013

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

2012

BIHL GROUP

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

1987

REDEFINING INSURANCE REGULATING THE INDUSTRY

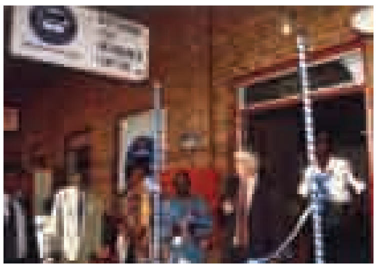
The Insurance Industry Act of Botswana is promulgated, regulating all aspects of insurance in Botswana and requiring separate legal entities for the underwriting of long and short-term insurance businesses.

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.

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.

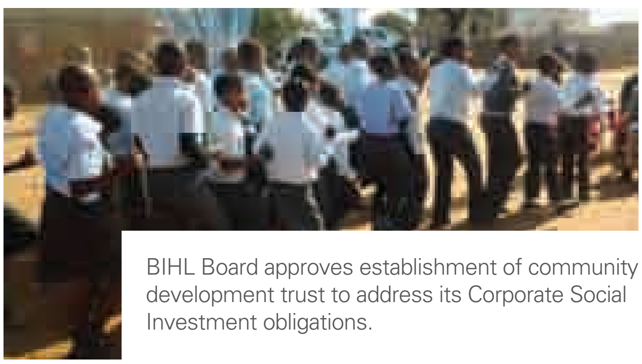
1993

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.

2007



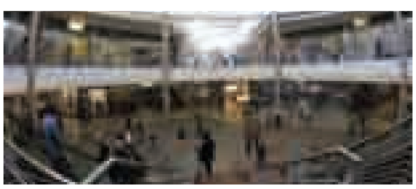
BIHL Board approves establishment of community development trust to address its Corporate Social Investment obligations.

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.

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.



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.

BIHL Group in Action

NOVEMBER 2015

COMMEMORATING 40 YEARS OF WORKING WITH BATSWANA, FOR BATSWANA

BIHL Group in November commemorated 40 years of doing business in Botswana, for Batswana and with Batswana, 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.

"This is the celebration of 40 years of heritage; however, it is also an exciting chapter that we begin the next 40 years, and beyond. We thank all of our valued friends and family of BIHL Group. This celebration is as much theirs as it is ours, as it is the Strength in Numbers not only from our bottom line, but of the people, passion, talent and support across the Group," said BIHL Group Chairman, Batsho Dambe-Groth.

JULY 2015

CATHERINE LESETEDI-LETEGELE TO TAKE THE HELM AT BIHL GROUP AS CEO

BIHL Group shared the exciting news with staff and other key stakeholders of Catherine Lesetedi-Letegele's appointment as Group Chief Executive Officer of BIHL. Announced in November 2015, this would see the incoming Group CEO officially take the reigns on 1st March 2016, continuing her responsibilities as CEO of Botswana Life in the interim. Catherine brings a vast skill-set from across the financial services sector. Her career spans over two decades, most of which have been within the BIHL Group. With a reputation as a transformative leader, she has set the bar high. Notable achievements include the introduction of the BLIL LifeRewards Card, which is reinventing the entire insurance sector and how it can play an even greater and meaningful role in the lives of so many Batswana. It is innovations like this that have maintained BLIL's position as the market leader.

Catherine's career has seen her recognised through a number of illustrious platforms. This includes receipt of the Sanlam Group Chief Executive Officer's Eagle Award and being a finalist in the CEO Magazine, RSA awards under the category of Africa's Most Influential Women in Business and Government for 2014.

BIHL GROUP INCUMBENT CEO ACCEPTS ILLUSTRIOUS SANLAM ROLE

Incumbent BIHL Group CEO, Gaffar Hassam, accepted a challenging role at Sanlam Emerging Markets (SEM) as Group Executive – SEM Southern Africa. Following a decade long tenure at BIHL Group, Gaffar's new chapter at Sanlam is slated to begin in March 2016.

In his new role, Gaffar will head up SEM's Southern African investments and future expansion, covering the Botswana, Namibia, Zambia, Malawi and Zimbabwe markets. BIHL will therefore remain under his portfolio and Gaffar will continue to represent BIHL in its affiliate relationships such as Letshego and the newly acquired Nico Holdings in Malawi. The Group will therefore continue to benefit from Gaffar's wealth of experience of BIHL and its subsidiaries.

SEPTEMBER 2015

BILKISS MOORAD NAMED DEPUTY CEO OF BOTSWANA LIFE

To support the transition of Catherine Lesetedi-Letegele from Botswana Life CEO to BIHL Group CEO, the Board announced the appointment of Bilkiss Moorad to the new role of Deputy CEO BLIL with effect from 1st September 2015.

Bilkiss has been in the finance industry for over 25 years. She is highly skilled in strategic management, business development, relationship and stakeholder management; and is proficient when it comes to technical concepts such as risk management and product innovation. Bilkiss also has years of experience in Greenfield operations. Known for her youth mentoring programme, in which she recruits young, Batswana graduates to groom and train for the financial industry, Bilkiss has a record of producing leaders from nurturing hidden talents.

BIHL GROUP IN ACTION (CONTINUED)

BIHL GROUP ACQUIRES STAKE IN BOTSWANA INSURANCE COMPANY LIMITED (BIC)

BIHL continued to drive its twin strategies of growth and profitability, further leveraging existing resources to continue in an already upward trend. This was realised in, amongst others, the acquisition of an indirect stake of 50% in BIC, following the granting of all approvals from relevant regulatory authorities.

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). This follows the BIC acquisition of the BIHL subsidiary, BIHL Sure!, general lines book in August 2014. 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 INVESTS IN MALAWIAN NICO HOLDINGS

Once again championing a strategy of strong growth and enhanced profitability, BIHL Group made a second key acquisition in the year in the form of 25.1% of shares in Nico Holdings Limited. Nico Holdings is well diversified into a number of financial services and is listed on the Malawian Stock Exchange. The business also operates in five countries in Southern Africa, being Malawi, Tanzania, Uganda, Zambia and Mozambique.

The shareholding offers BIHL an opportunity to expand into Southern Africa at a market related price, and with attractive growth opportunities and enhanced return on Group equity value.

BIHL GROUP 2014 ANNUAL REPORT BEST IN FINANCE SECTOR AT PWC

BIHL Group once again took home the coveted prize for 'Best Annual Report Financial Services' at the PricewaterhouseCoopers (PwC) Best Published Corporate Report and Accounts Awards held. BIHL has a number of accolades from recent years, including a number of prestigious awards from PwC. The BIHL Annual Report has won awards for 'Best Overall Annual Report 2005' and 'Best Annual Report Financial Sector' 2005, 2006, 2008, 2012, and 2013.

The PwC Awards strive to ensure that published financial statements comply with international accounting standards and statutory disclosure requirements. The platform works to promote Corporate Social Responsibility and to foster acceptance and observance if generally accepted accounting principles in Botswana. As a group, BIHL strives to return great value to stakeholders. This has been the goal for the last 40 years and it continues to be the objective to date.

DECEMBER 2015

NEO BOGATSU APPOINTED Bifm CHIEF EXECUTIVE OFFICER

2015 was an incredibly momentous year for BIHL Group, with a number of exciting milestones and developments. The Board of Directors further added to this bevy of highlights in announcing the appointment of Neo L. Bogatsu as Bifm Chief Executive Officer, effective 01 December 2015.

Neo brings with her two decades of experience in the financial services sector, four years of which have been with the BIHL Group. She assumed the role of Acting Chief Executive Officer in March 2015. During her eight month tenure as Acting Chief Executive Officer, Neo helped drive the business through a key period in its existence, growing and strengthening the Bifm brand. She continues to add immeasurably to the Group's Strength in Numbers.

MAY 2015

BOTSWANA LIFE SPONSORS LADY KHAMA DIAMOND DERBY

Botswana Life sponsored the Lady Khama Charitable Trust (LKTC) Diamond Derby for the fourth consecutive year. Botswana Life CEO, Catherine Lesetedi-Letegele handed over the P50,000.00 sponsorship to His Excellency the President Lieutenant General Dr. Seretse Khama Ian Khama, noting the business's excitement at continuing its partnership with LKTC as this benefits a number of charitable organisations in Botswana.

LKTC aims to raise and disburse funds for well-run charitable organisations that focus on helping vulnerable Batswana women and children, and relies on the generosity of members of the community to fund its activities. Said Lesetedi-Letegele, "As Botswana Life, we will continue to contribute towards the growth of organisations like this with the hope and faith that every little contribution we make will change someone's life for the better."

JULY 2015

BOTSWANA LIFE CELEBRATES 40 YEARS AND LAUNCHES A NEW BRAND IDENTITY

Botswana Life celebrated 40 years of serving Batswana and unveiled a new corporate identity before key stakeholders, including guest of honour, Minister of Investment, Trade and Industry, Honourable Vincent T. Seretse. The engagement highlighted a number of key milestones achieved with the support of the many friends and family of the business, paying back billions of Pula into the hands of Batswana through claims and benefits and contributing to skills development and employment creation in Botswana.

The rebrand, a monumental step in the next chapter of the business, aligns the corporate identity with the new strategic direction of Botswana Life: to reposition the company in a dynamic, competitive business environment; and allow key stakeholders to engage with the company's new and broader proposition. This is against the background of, as highlighted by the Honourable Minister, the shifting dynamics of Botswana's business landscape, which requires fast-thinking, agile enterprise.

AUGUST 2015

BOTSWANA LIFE DONATES P1.5 MILLION TO PRESIDENTIAL HOUSING APPEAL

Botswana Life handed over a P1.5 million cheque to the Presidential Housing Appeal, a testament to the business' efforts towards supporting Government initiatives aimed at improving the socio-economic status of Batswana.

The Presidential Housing Appeal began 5 years ago, and in this time, 510 houses have been built to house over 3,000 less privileged Batswana across the country.

Mr. Moletlanyi Tshosa, Botswana Life Head of Retail, reiterated the fact that Botswana Life is driven by an unrelenting passion to give Batswana dignity through services that change their lives for the better, sharing more on the many efforts made over the years, inclusive of working through the BIHL Trust. Dr. Jeff Ramsay, Deputy Permanent Secretary of Government Communications, thanked Botswana Life for the generous donation. He commended the business' efforts to date and encouraged Botswana Life not to lose momentum in making a difference in the community.

SEPTEMBER 2015

BIHL LAUNCHES INAUGURAL GROUP SUSTAINABILITY REPORT

BIHL Group reinforced its commitment to corporate governance with the launch of the Group's inaugural Sustainability Report in 2015. This is the culmination of months of work of development and the realisation of a number of years of striving to find a way to share how the business feels about the importance of sustainability and how BIHL treats it. Though this publication, BIHL reflected on the state of sustainable practice in the year 2014, sharing the results of this self-assessment, as well as of the exploration of how the Group is working to better inculcate a culture of valued and practiced sustainability,

The BIHL Group Sustainability Report 2014 marked the tip of the proverbial iceberg, as the real work has yet to come. It is work that will be invested in with every year, reporting diligently on the progress, challenges and opportunities faced to show demonstrably positive change in time.

SEPTEMBER 2015

BOTSWANA LIFE DONATES NEW KIT TO MATEBEJANA FOOTBALL CLUB

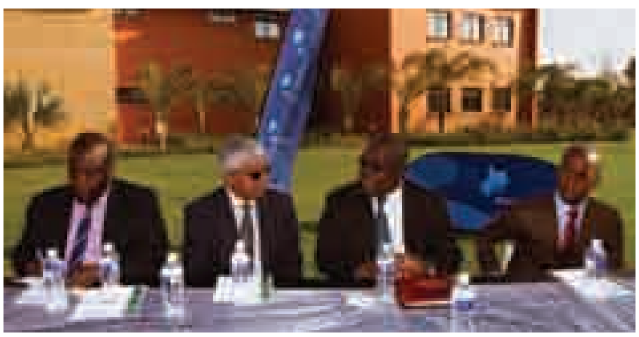
Botswana Life continues to strengthen its relationship with the Botswana Defence Force (BDF), building upon ties that began in the early 1990s. The business took the BDF's Matebejana Football Club under its wing three years ago, having since donated P80,000.00 in kit money during this period. A further P60,000.00 was donated in September 2015, handed over by Head of Institutions and Affinity Groups, Mr. Joseph Kuaho, as well as members of the executive team, management and staff.

Receiving the donation, BDF XI Chairman Retired Lieutenant. Colonel Bruce Therego, reminded all of the purpose of the football club: to groom players for the BDF XI football club, while engaging youth in football to keep them away from social ills. Botswana Life remains committed to instilling a sense of pride in and community amongst all stakeholders of the business, striving to make a real and lasting impact for all.

BIHL GROUP IN ACTION (CONTINUED)

SEPTEMBER 2015

BOTSWANA LIFE SIGNS MOA WITH BA ISAGO UNIVERSITY



Botswana Life signed a Memorandum of Agreement (MoA) with Ba Isago University, which will enable the company to enroll staff and distribution partners for insurance courses at the University. Through this partnership, Botswana Life will seek admission of staff into Ba Isago University programmes and will guarantee the sponsorship of all students enrolled in those programmes. Botswana Life will also inform Ba Isago of new needs in training and development, as well as offering technical expertise and advice on curriculum development.

Ba Isago University Managing Director, Mr. O.B Gabasiane, applauded Botswana Life on the great work and assistance given to the university over the years. "This agreement could not have come at a more appropriate time, as the insurance industry is gaining momentum and reaching its peak and it is with this that we are highly excited and delighted as Ba Isago University of the level of greatness that will be achieved through this partnership," said Mr. Gabasiane. Botswana Life has enjoyed a strong relationship with Ba Isago University since 2005, through a number of mutually beneficial platforms.

OCTOBER 2015

BOTSWANA LIFE CLASSIC RUN RETURNS

Botswana Life, together with technical partners Gaborone Runners Club, hosted the 24th Botswana Life Classic Run on Sunday 11th October. The race, which commenced at the University of Botswana Stadium, saw multitudes of hopefuls gearing up for pole position in the 5km fun run and 10km race. A key event in the sporting calendar of local athletes, the 2015 instalment attracted a number of renowned runners. Botswana Life has sponsored the annual sporting event for over twenty years.

This two-decade commitment to the race demonstrates Botswana Life's commitment to Botswana's sports development. In 2015, the business increased its sponsorship amount, enabling better logistics and prizes for the runners. The year also saw growth in the number of participants, from 200 in previous years to 500 registered runners in 2015. "This is a demonstration of the fact that with the right level of financial support, we can help to unearth the amazing athletic talent that lies dormant in Botswana," said BIHL Group Head of Human Resources, Mr. Onthusitse Mosiakgabo.

OCTOBER 2015

BOTSWANA LIFE SUPPORTS JOURNEY OF HOPE

Botswana Life showed support for local breast cancer awareness champions, Journey of Hope, in yet another mark of the business support for local philanthropic groups. Handing over a P100,000.00 donation cheque was Botswana Life Deputy CEO, Bilkiss Moorad.

Botswana Life has been assisting Journey of Hope since 2012, with a number of donations that go towards enabling the organisation to carry out their mandate. "We are proud of our brief history with Journey of Hope; we have worked with them long enough to assure ourselves that what the organisation is doing is making a positive impact in the lives of Batswana. They are doing a remarkable job by creating awareness about the disease and encouraging early detection. We believe that their mandate is very much aligned to ours as Botswana Life, and if we grow this partnership, together we will save many lives," said Mrs. Moorad.

NOVEMBER 2015

BIHL STAFF COMMEMORATE #BIHL40

In November 2015, BIHL Group held a staff celebration to commemorate the Group's 40th anniversary. A feast for the senses, the festivities aimed to celebrate the incredible wealth of passion, talent, and narratives of our most important asset – our people – and how they have been woven together to tell the story of 40 years of heritage. Staff enjoyed stories from their fellow colleagues, a bevy of entertainment options, and an exhilarating aura of celebration and heritage.

DECEMBER 2015

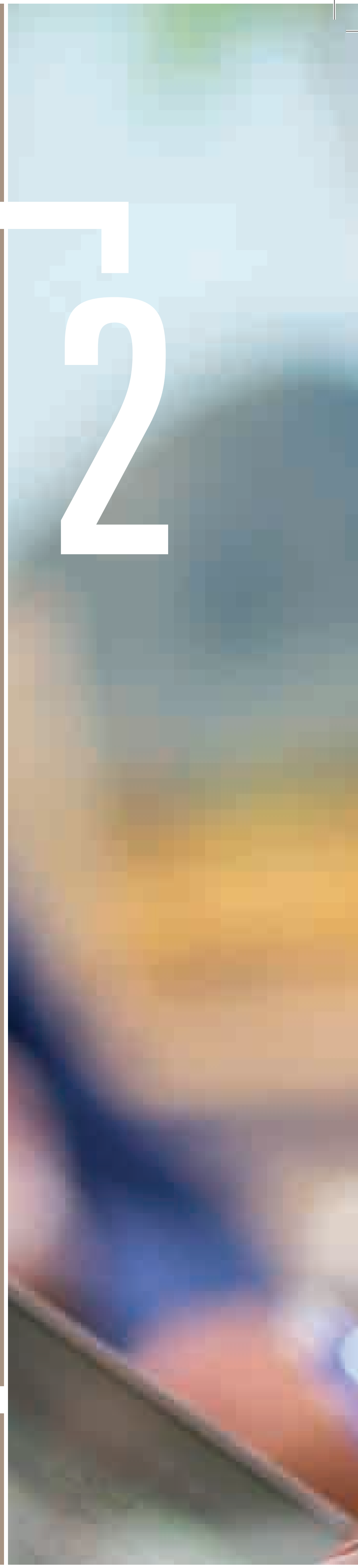
BOTSWANA LIFE HOSTS LIFEREWARDS, MERCHANTS AND CUSTOMERS MEET AND GREET

Botswana Life hosted LifeRewards merchants and customers meet and greet, a platform for engagement and interaction between Botswana Life staff and management, top 40 LifeRewards Clients, LifeRewards merchants and the media.

The business launched yet another innovative delivery in the form of the LifeRewards VISA card and loyalty programme, a first of its kind in the market. The engagement also served as a platform to thank clients and customers for their relentless support in making LifeRewards such a success and in helping making Botswana Life the business that it is today.

OPERATIONS REVIEW

2



We can look back at the year under review with pride, with our overall achievements and the performance of our 'herd,' our subsidiaries, as a testament to our Strength in Numbers.

OUR CORE PHILOSOPHY 37

Living true to our Strength in Numbers philosophy.

CELEBRATING #BIHL40 74

Sharing stories of how members of our team championed hands-on CSI in the name of #BIHL40.

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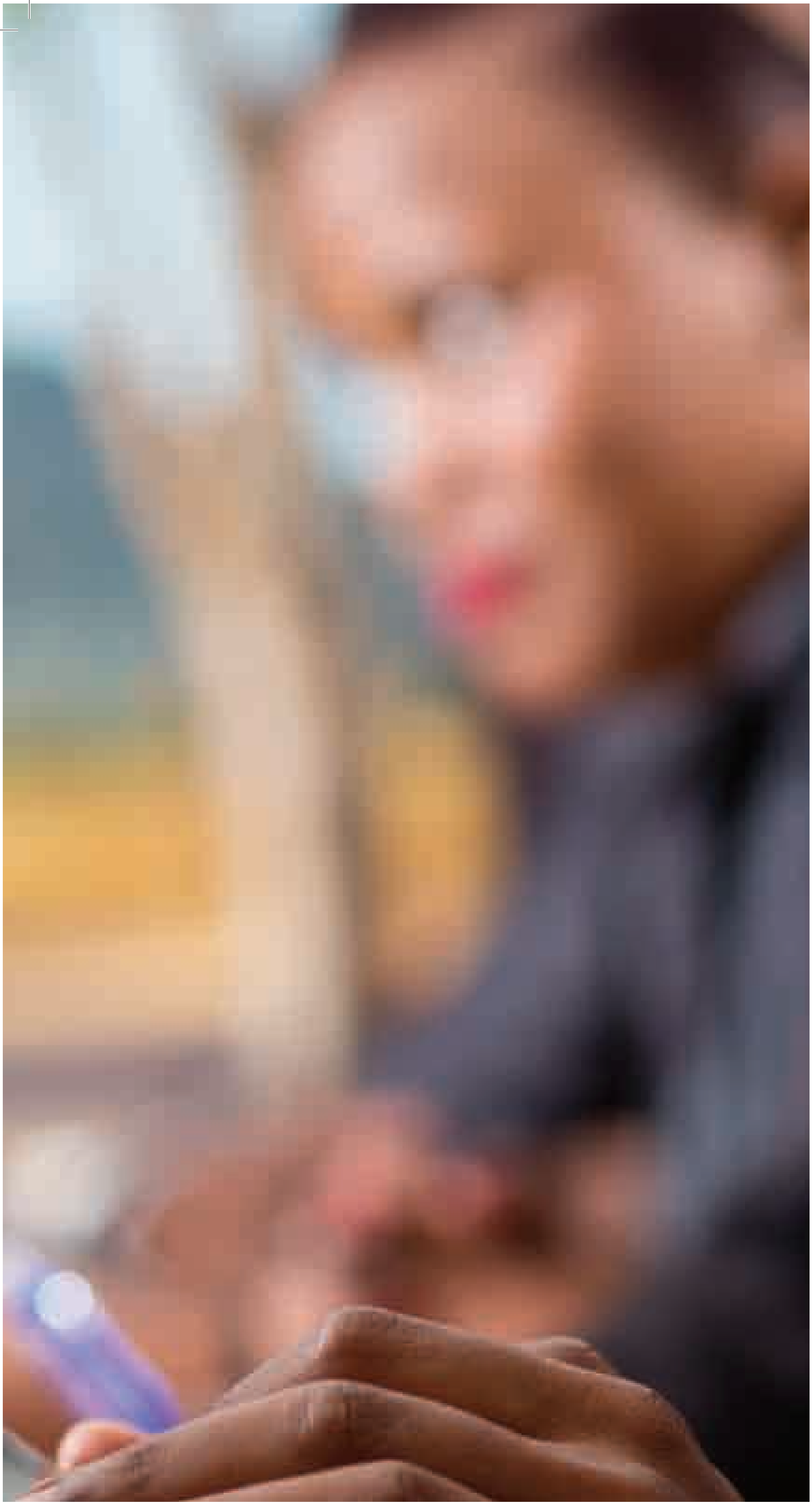


Group Chairman's Report

Introduction

"It is said that adversity makes one stronger. If that is the case, then BIHL certainly toughened up in the 2015 financial year."

Mrs. Batsho Dambe-Groth

It has in many ways been a pivotal one, the Group's 40th anniversary year – and, it must be said, a phenomenally successful financial one. There have been several important developments: the conclusion of our five-year expansion strategy; the departure of our Group CEO, Gaffar Hassam; the rebranding of our trailblazing Botswana Life; the major restructuring at Bifm; and the stunning turnaround from loss to profit, in record time, at Legal Guard.

Through it all, we have shown the resilience and depth that one would expect of one of Botswana's most respected and successful businesses, responding smartly and calmly to the challenges and taking advantage of the opportunities. We've emerged from it leaner, wiser and with a clear focus on where we want to go.

BIHL's consolidated earnings results for the full year ended 31 December 2015 show impressive business growth, and that we have fulfilled our mandate to our shareholders. Total revenues were P4.4 billion, up from P2.9 billion in the 2014 financial year. Profit before tax was P722 million (up from P627 million). Profit attributable to equity holders of the parent company was P595 million up from P500 million in 2014. Dividend per share increased by 40% to 122 thebe per share.

While our growth and outward expansion strategy will continue, we now begin a new strategic phase for BIHL Group focused on consolidation. As the insurance and Asset Management market leaders in Botswana, our prospects for further expansion are limited, and we face increasing competition from new and existing competitors. We will defend our leadership positions by consolidating and innovating. We are able to do this by drawing on Strength in Numbers principle. This is a competitive advantage that we have built and one that will allow us to continue to have a sustainable business. We are compelled to continuously do better because we understand all too well the competitive environment that we operate in. This involves a few key things: driving operational efficiencies and containing costs through better, more innovative use of technology; improving service delivery, and delighting and retaining our customers; continuing to develop innovative products; and harnessing the Strength in Numbers concept of BIHL Group.

The latter point is critical. By harnessing the various strengths within the Group, and exploiting the synergies between them, each one has the potential to retain – even grow – its market share, and increase its revenues. Central to this is data. Anyone with their finger on the pulse of business will tell you that data, and how you use it, is vital for ongoing success. The various entities within the BIHL Group are in possession of significant quantities of client and product data. This data provides an invaluable source of intelligence into client experiences, product performance, future client trends, needs and expectations. The data further provides clues as to what kind of cross product selling we as a Group can offer across the entire life cycle of a client or growth curve of an organisation.

Another important strategic imperative for us is to build on existing business alliances and forge new ones. Strategic alliances open up fresh customer markets for us, assist us to develop new product lines and strengthen our business position. Our ongoing associations with, and stakes in, successful entities such as Letshego Holdings Limited and Funeral Services Group are proof of the value of such alliances. Our major shareholder, Sanlam, is another case in point: we enjoy a significant market advantage as a result of Sanlam's technical expertise, its global perspective and its long, rich operational history.

Various executive replacements within the BIHL Group this year have also brought skills development and training to the fore. While I believe that we boast highly skilled individuals throughout the Group, development of our senior talent is an ongoing process. I am proud that the executive appointments this year have all been internal, and we should continue this trend; but to achieve that, we need to continue to identify and nurture our best talent. We launched a training and development programme in 2014, which we must build and continuously improve upon if we are to maintain our edge in the market.

We have often said that people are central to what we do, and that remains the case. Through our business activities we strive to add value to the people of Botswana, from the insurance and wealth-creation products which improve the financial wellbeing of our customers, to our contribution to our country's economy and the jobs that we create. I would like to thus conclude my report by acknowledging the all-important people in the BIHL firmament.

I begin with Gaffar Hassam, our departing Group CEO, who has been with the Group since joining Botswana Life as its Finance Manager in 2003. A young and dynamic business leader, Gaffar rose through our ranks to become Group CEO in 2011. He has played an important leadership role in growing the Group to where it is currently, and giving it the stability it needs for the next phase of its existence. I would like to thank Gaffar for his enormous and energetic contribution to the BIHL success story, and I wish him well in his future endeavours.

Equally, I thank Catherine Lesetedi-Letegele for her stewardship of Botswana Life, the Group's crown jewel, and I wish her all of the best as the new BIHL Group CEO. While she undoubtedly has big shoes to fill, I am confident that she will be up to the task, and I look forward to seeing her flourish in her new role.

Thanks go, also, to the other CEOs of the BIHL subsidiaries. They have had a turbulent year, to be sure, but they have risen admirably to their tasks and showed their mettle. That our executive promotions have been from within is remarkable, and something about which I am particularly proud. That our current top executives are almost all women is similarly remarkable, but incidental – they were, simply, the best people for the job. While I am loath to tap anyone in particular, special mention must be made of Mike Dube for his management of Legal Guard into profitability within a year has been a very impressive achievement, and I heartily congratulate him. I also need to acknowledge Neo Bogatsu who has been steering the Bifm ship after a challenging period and has managed to successful stabalise it and performed admirably.

I must extend thanks to the Boards of Directors of BIHL and its subsidiaries, for the work they put into ensuring the businesses are run soundly, ethically and profitably, and I sincerely appreciate their contributions.

The management and staff of the entire BIHL Group should take a deep bow for without them and their tenacity to succeed, our business would not be what it is today. Every policy they sell, every Pula they generate in revenues and investments, and every smile they put on a customer's face, makes BIHL even greater. I am proud to be associated with each one of them. I am grateful, too, for the environment in which we operate, and the solid relationships we enjoy with important stakeholders such as the financial regulators and the Botswana Stock Exchange. The BIHL Group is committed to furthering fairness, legal compliance and sustainability in the financial management sector to the benefit of us all and we will continue to engage positively with those oversight bodies to make good on our commitment.

In Botswana, inflation closed the year at

3.1%

well within the target range of 3% to 6%

GDP growth recovery is expected to be

1.5%

for 2016 by Econsult

Highest normal dividend paid of

P1

per share (gross of tax) in 2015

Finally, of course, I turn to our most important stakeholder group: our customers. Thank you for believing in us and giving us your business, and thank you for sticking with us through trying times. If ever there was an example of Strength in Numbers, you are it. We prize our relationships with you above all else; we promise to continue striving to give you even better service and products, and even greater financial wellbeing. The 2015 financial year, difficult as it was, brought out the best in us. I have no doubt we will shine once again.

I believe that the 2016 financial year will, in its own way, be just as challenging as this reporting period – there is little reason to think otherwise.

Mrs. Batsho Dambe-Groth
Chairman

Group Chief Executive's Report

Outgoing BIHL Group CEO's Report

"It is with some sadness that I present my final report as the BIHL Group CEO – but I take great comfort in the knowledge that I leave a business that is strong, flourishing and in very capable hands."

Mr. Gaffar Hassam

The 2015 financial year was a challenging one, with the overall trading environment – both in Botswana and abroad – remaining difficult. Continued global uncertainty, and poor economic conditions in powerhouses such as the US, China and Japan, affected how we made our offshore investments; about 60% of our investments are offshore, and there was great pressure from the point of view of their performance. Commodities exports from Africa to countries such as China also fell, which in turn has had an effect on countries' economic performance.

While Botswana's economic situation was strong, with 4% GDP growth and inflation being kept in check, we are also not immune to global economic fluctuations. Pressure on our diamond exports has led to the country tightening its belt, and economic growth – while good – is below what we have seen in previous years.

The upshot of this is that consumers have remained under pressure, and have had to consider their finances carefully. This necessarily impacts on the ability of business groups such as BIHL to consolidate and grow their revenues, and we have had to adapt to the circumstances and rein in our costs.

That said, I believe we have performed handsomely. A key highlight for me for the 2015 financial year is a 25% increase in premium income. We largely achieved this by focusing on market segments where we could leverage opportunities.

Along with IT and people, a key BIHL resource is our financial muscle. We have a strong balance sheet, and plenty of capital with which to work. How we put that capital to work is critical, and in 2015 we achieved a 22% return on our embedded value; this is well above the 2 - 5% interest range currently earned on deposit accounts, by comparison. We were thus able to maintain our policy of paying strong dividends to our shareholders, and there has also been a substantial increase in the dividend payout between the 2014 and 2015 financial years.

I will take a look at the year under review, in terms of BIHL's five strategic business pillars:

WHAT IS IN THIS REPORT

01 MARKET SHARE, PROTECTION AND GROWTH

> Significant growth in annuity income
We have been engaging with Government over some time

> Business volumes grew modestly, at around 5%
We really focused on the quality of the business

> Our annuity income and more favourable regulatory environment
Continue to foster customer loyalty and grow the Botswana Life brand

02 NEW INVESTMENTS

> A healthy balance sheet
Enabling us to make new acquisitions

> Diversify our sources of revenue
Botswana Insurance Company Limited (BIC) gives us a solid base

03 GROUP SYNERGIES

> Strength in Numbers
Working collaboratively and leveraging each others' strengths

> Partnerships
Relying on the expertise that they bring to the table

04 OPERATIONAL EFFICIENCIES

> Leveraging technology
Assisting us to communicate regularly with our clients

> Interventions to improve our service levels
There will always be room for improvement

05 PEOPLE

> Improve our people management
We put several interventions into place and they have been key to our successful year

> Leadership and development programme
The training has focused sharply on productivity, and we have been able to achieve more with the same resources, and significantly grow the business

GROUP CHIEF EXECUTIVE'S REPORT (CONTINUED)

01 MARKET SHARE, PROTECTION AND GROWTH

02 NEW INVESTMENTS

03 GROUP SYNERGIES

04 OPERATIONAL EFFICIENCIES

05 PEOPLE

In our Botswana Life business, the interest rate environment and a more favourable regulatory environment – about which we have been engaging with Government over some time – has favoured the annuity side of the business, and we have seen significant growth in annuity income.

BUSINESS VOLUMES

We really focused on the quality of the business; volumes ultimately grew modestly, at around

+5%

On a household, individual level, the pressure on our customers has been clear. We really focused on the quality of the business; volumes ultimately grew modestly, at around 5%, but we managed to control lapses – the kind of income we would ordinarily lose out on because of the difficult economic situation.

On the life insurance side, Botswana Life is in a dominant market position – so how does one grow it, particularly with new entrants to the market? As I have mentioned, our annuity income and more favourable regulatory environment enable us to unlock pockets of opportunity. Added to that, our extensive branch network, technology-based call centre and initiatives such as our popular Life Rewards card, which makes payments to customers more convenient, will continue to foster customer loyalty and grow the Botswana Life brand.

Turning to Bifm, the major risks we faced with the termination in February 2015 of a large proportion of a key mandate included keeping our other clients' money safe, which we succeeded in doing, and over-reliance on a single client. Losing this account removed those risks, but we now need to improve our service levels and differentiate ourselves from our competitors, casting Bifm as a home-grown company that taps into the expertise of Sanlam Investment Management, our major shareholder.

In terms of Bifm's future prospects, I believe that property offers strong opportunities. Our experience in mall developments – such as our flagship Airport Junction property, which is 100% let – indicate opportunities in that space. Similarly, because a lot of regional commercial traffic passes through Botswana, office space and centralised warehousing offer great opportunities.

Technology and cost containment assisted us greatly with another highlight of the 2015 financial year: the stellar turnaround at Legal Guard, our short-term insurance business and the Group's star performer for 2015. We measure our success there in various ways: profitability, from an investor point of view, and solid legal advice, from a customer perspective. Great legal advice will drive customer retention, and bolster Legal Guard's reputation in the marketplace.

As ever, there is no room for complacency, and in a tough economic climate as ours, the need to continue working to strengthen the business remains a key focus.

GROUP CHIEF EXECUTIVE'S REPORT (CONTINUED)

01 MARKET SHARE, PROTECTION AND GROWTH

02 NEW INVESTMENTS

03 GROUP SYNERGIES

04 OPERATIONAL EFFICIENCIES

05 PEOPLE

Our stake in Malawi-based Nico Holdings Limited,

25.1%

which operates in five African countries

Our indirect stake in Botswana Insurance Company Limited (BIC)

50%

is a diversification of our sources of revenue

We also used our healthy balance sheet to make new acquisitions, as part of our five-year regional expansion strategy, which came to a head in 2015.

Our purchasing of a 25.1% stake in Malawi-based Nico Holdings Limited, which operates in five African countries, will provide us with a good staging platform from which to expand outside Botswana. This is new territory for us, however, and the size of the stake we acquired in Nico Holdings indicates the cautious approach we have taken.

Also, our acquisition of a 50% indirect stake in Botswana Insurance Company Limited (BIC) gives us a solid base from which to diversify our sources of revenue within the Group, principally in the short-term insurance space.

The BIC transaction will assist us to offer holistic short-term covers – combining motor, household and funeral, for example – for our clients, providing them with comprehensive solutions and us with broadened income opportunities.

01 MARKET SHARE, PROTECTION AND GROWTH

02 NEW INVESTMENTS

03 GROUP SYNERGIES

04 OPERATIONAL EFFICIENCIES

05 PEOPLE

A core philosophy within the BIHL Group is Strength in Numbers:

the idea that by working collaboratively and leveraging each others' strengths, each of the components within the Group will perform better than if they operated in isolation.

In keeping with Strength in Numbers – both in terms of the Group and its subsidiaries, as well as our relationship with Sanlam – we have continually sought to unlock operational efficiencies within the Group and find new ways to offer our products to our clients, in so doing growing market share. By cleverly using customer data from our subsidiaries, for example, we have identified and begun exploiting opportunities for the subsidiaries to cross-sell their product lines in ways that benefit both our customers and ourselves.

Our partnerships with associates such as Funeral Services Group (FSG) and Letshego Holdings Limited also hold promise for our expansion plans, and we rely on the expertise that they bring to the table. Letshego's expansion into Nigeria, a huge market, and its acquisition of a bank in Tanzania – which will move it from payroll solutions into deposit taking, focusing on SMMEs – offer strong opportunities for us. FSG's expansion into South Africa, Zambia and Zimbabwe prompted the Company's delisting: we believe stock exchange reporting requirements were giving its competitors, which are mostly not listed, a strategic advantage; it had also been causing shareholder value leakage due to BIHL also being listed.

GROUP CHIEF EXECUTIVE'S REPORT (CONTINUED)

01 MARKET SHARE, PROTECTION AND GROWTH
02 NEW INVESTMENTS
03 GROUP SYNERGIES
04 OPERATIONAL EFFICIENCIES
05 PEOPLE

Central to our efforts in the 2015 financial year was cost management, and in that we effectively leveraged technology. We saved significantly in terms of manpower requirements, and technology which also assisted us to communicate regularly with our clients, preventing premium payment lapses before they happened.

Bifm remains profitable and the dominant Asset Manager in Botswana

At Legal Guard, exploiting our database and going back to customers who had cancelled policies allowed us to regenerate a lot of business

Technology also helped us greatly to turn around the unfortunate situation at Bifm, which could have been crippled by the loss of the significant mandate. Using the technology at our disposal we were able to very quickly restructure the business, and keep operating as a market leader.

One of the things I most admire about BIHL is our ability to quickly react to situations; because of that, Bifm remains profitable and the dominant asset manager in Botswana. But, certainly, the Bifm matter was a big wake-up call for us, and made it clear that we needed to improve our service levels. One of the things I most admire about BIHL is our ability to quickly react to situations; because of that, Bifm remains profitable and the dominant Asset Manager in Botswana. But, certainly, the Bifm matter was a wake-up call for us. As in every business, there are situations that propel the business to introspect and measure our efforts as well as identify areas for improvement and enhancement. This was one such instance, and we believe we are the better for it.

At Legal Guard, exploiting our database and going back to customers who had cancelled policies allowed us to regenerate a lot of business. We were also able to bring down the unit cost per policy, and we went from a loss in 2014 to a modest profit in 2015. I thank the fantastic work done by Legal Guard GM, Mr. Mike Dube.

When it came to client service, client satisfaction surveys showed that we were below the levels we had set for ourselves. So we initiated interventions to improve our service levels substantially, and this is borne out in the numbers: we have kept our clients happy and retained them. There will always be room for improvement, but I have been delighted to note positive client reactions, even on very public platforms such as Facebook. This augurs well for the next financial year.

But we need to respond more positively to changing customer behaviour. And that means using electronic platforms. Batswana are increasingly turning to cellphone technology, and we need to take advantage of that platform to deliver products and services to our life clients. It also allows us to share information with customers, and a good opportunity to educate them about insurance.

We also need to look at customer behaviour. For example, many Batswana have irregular incomes, making payment of monthly premiums problematic; others work in industries where they receive infrequent but large lump-sum payments. We need to formulate innovative solutions that cater for their circumstances, in order to prevent lapses and guarantee our income streams.

GROUP CHIEF EXECUTIVE'S REPORT (CONTINUED)

01 MARKET SHARE, PROTECTION AND GROWTH

02 NEW INVESTMENTS

03 GROUP SYNERGIES

04 OPERATIONAL EFFICIENCIES

05 PEOPLE

Along with IT, a critical differentiator in 2015 has been our people. We put several interventions in place to improve our people management and client service, and they have been key to our successful year.

HEADCOUNT

Localised

Dec 14 = 98 %

Full time employees **385**

Dec 14 = **360 employees**

Batswana	378
Females	224
Males	161
Brokers and agents	850

In 2014, we introduced a leadership and development programme for our executives, and in 2015 we bolstered that with a management development programme for our senior managers. The training has focused sharply on productivity, and we have been able to achieve more with the same resources, and significantly grow the business. There has also been a focus on succession planning, and there have been fundamental changes in our executive management, including, of course, my own departure. But because we've planned and managed these transitions in advance and with great care, the impact has to a large degree been contained.

As I bid farewell to BIHL after 12 years with the Group, I believe my sincere thanks are due to various stakeholders. Firstly, I would like to express my gratitude to the customers of the various BIHL businesses – they have stuck with us through very difficult times, and we are as strong as we are because of their continued support.

I would also like to recognise the BIHL team. The past three years have been challenging in so many ways, but the Group is populated by diamonds: they have displayed resilience and drive, and shown their mettle time and again. They have, through their actions, amply demonstrated the efficacy of Strength in Numbers, and I am proud to call them my colleagues. Thank you also to our brokers and agents, for promoting a positive image for the BIHL Group over the past year.

I would like to thank the Botswana Government, and the regulators. They have listened to the business community, in so doing unlocking new opportunities. BIHL has enjoyed very strong working relationships with the authorities, and has benefited as a result. I trust that we will maintain these relationships for a long time to come. I also acknowledge the Board of BIHL and its subsidiaries which have been very supportive to the Group's success. I wish my successor, Catherine Lesetedi-Letegele, all of the very best for her tenure as BIHL Group CEO. It gives me great pleasure that the position is being filled from within, and I have no doubt that she is the best person for the job. She inherits a solid business, and I look forward to seeing the Group go from strength to strength under her leadership.

Mr. Gaffar Hassam
BIHL Group CEO

Economic and Financial Review

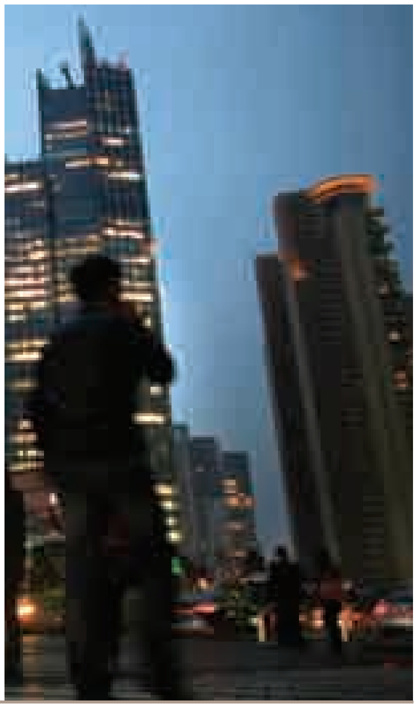
Reduction in bank rate to

6%

to close the year

Rate of crawl of the Pula exchange was raised up to

3.8%



Global economic growth prospects became increasingly subdued towards the second half of 2015, with recovery in advanced economies such as the US and the UK weaker than anticipated and recessions in Russia and Brazil significantly deeper and more prolonged. Global economic recovery will continue to be slow and fragile, with risks to its durability increasing, and is forecasted at 3.4% in 2016.

Growth in advanced economies is expected to continue at a modest and uneven pattern and forecasted to rise from 0.2 % in 2016 to 2.1% in 2017 by the IMF. Monetary easing in the Euro area and Japan is proceeding in line with expectations while the U.S. Federal Reserve lifted federal funds rate from the lower zero bound at the end of 2015. Overall it is expected that financial conditions within advanced economies will remain accommodative.

Growth in emerging markets and developing economies is projected to increase from 4.0% in 2015 (the lowest recorded since the 2008/2009 financial crises) to 4.3% in 2016. Growth in China is expected to slow down to 6.3% in 2016, reflective of weaker infrastructure investment growth with focus strongly on rebalancing economic activities. India and the rest of emerging Asia are generally projected to continue their robust growth pattern although some countries will experience downside risk due to the Chinese contraction and continued global manufacturing weaknesses.

Most countries in sub-Saharan Africa will see a gradual improvement in economic growth from 2015 but at lower levels than the past decade due to tendency of many countries' over reliance on commodity output to drive growth. This is in line with continued downward pressure of commodity prices and higher borrowing costs which is having a more severe impact on larger economies such as South Africa, Nigeria and Angola, as well as a number of smaller commodity exporters.

In Botswana, inflation closed the year at 3.1%, well within the target range of 3% to 6%. GDP growth is estimated at an annual contraction of 0.3% at the back of weak commodity prices and more importantly diamond output. GDP growth recovery is expected to be sluggish and forecasted at 1.5% for 2016 by Econsult.

The bank rate was decreased by 150 basis points during 2015 at the back of favourable inflationary outlook and weaker domestic conditions, vindicated by negative economic growth experienced during the second semester. The Central Bank eased banking liquidity constraints to some extent by decreasing Primary Reserve requirements from 10% to 5%, releasing P2.3 billion in the banking sector.

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 123.

BIHL Group achieved strong growth in profits under challenging circumstances with Operating Profit After Tax (OPAT) increasing by 19% compared to the previous year. This outstanding result is underpinned by significantly higher operating profits generated by Botswana Life (life insurance), and a turnaround in the general insurance lines business of Legal Guard. The Asset Management business of Bifm was adversely affected by the reduction in assets under management while share of profits from associates decreased due to lower levels of accounted earnings pertaining to certain investments.

Liquidity in the banking sector for 2015

2.3bn

Government issued a new 25 year bond; longest tenor since inception of bonds in early 2000's

Commercial Bank Prime Reserve Requirement decreased to

5%

from 10% easing banking liquidity constraints

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 EFFICIENCIES)

CAPITAL AND SOLVENCY (OPTIMAL USE OF CAPITAL)

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

SHAREHOLDER VALUE

BIHL Group delivered exceptional results in 2015, 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. We are of the view that this approach allows for the most sensible strategy to achieve long-term value creation.

ROGEV was 22% (2014: 24%) which is well aligned with shareholders' expectations and indicative of the Group's ability to maintain stable returns over sustained periods. The strong capital adequacy position is supportive of our view that the Group is well positioned for both organic and inorganic into the foreseeable future.

Our capital position remains strong with life business covered 8 times (December 2014: 11 times).

BUSINESS VOLUMES

	2015 P'000	2014 P'000
Life insurance business:		
New Recurring	235,376	212,583
Single	1,405,876	992,476
Total New Business	1,641,252	1,205,059
New recurring	773,788	705,757
Single	19,210	21,043
Total Existing Business	792,998	726,800
Outflows	(1,283,488)	(1,173,806)
Net funds flows	1,150,762	758,053
Asset management Business		
Inflows	1,382,444	1,175,392
Outflows	(11,004,541)	(1,078,385)
Net Funds Flow	(9,622,097)	97,007
General insurance		
Inflows	44,678	44,383
Outflows	(14,912)	(25,266)
Net Funds Flow	29,766	19,117
Total net funds flows	(8,441,570)	874,177

+22%

ROGEV

Dec 14: **24%**

Well aligned with shareholders' expectations and indicative of the Group's **ability to maintain stable returns** over sustained periods.

The life business experienced a pleasing increase in net funds flow of P1.2 billion in tough operating conditions in 2015. The increase was as a result of lower new recurring contributions which are adversely impacted during cycles of economic contractions. The steady growth in benefits paid to policyholders continued during the year, up by 9% to P1.3 billion compared to 2014. The asset management business, Bifm, experienced a decrease of P9.6 billion in net funds flows which can primarily be contributed to the loss of a sizable mandate during the year.

VALUE OF NEW BUSINESS AND NEW BUSINESS MARGIN

Value of new business and new business margin

	31-Dec-15 P'000	31-Dec-14 P'000
Value of new covered business	170,446	148,249
Present value of new business premiums	1,861,467	1,767,919
New covered business margin	9.16%	8.39%

The Value of New life Business (VNB) grew significantly by 15% to P170.5 million as a result of a significant growth in most business lines and mortality assumptions. Improved persistency levels have also contributed to the positive earnings.

EARNINGS

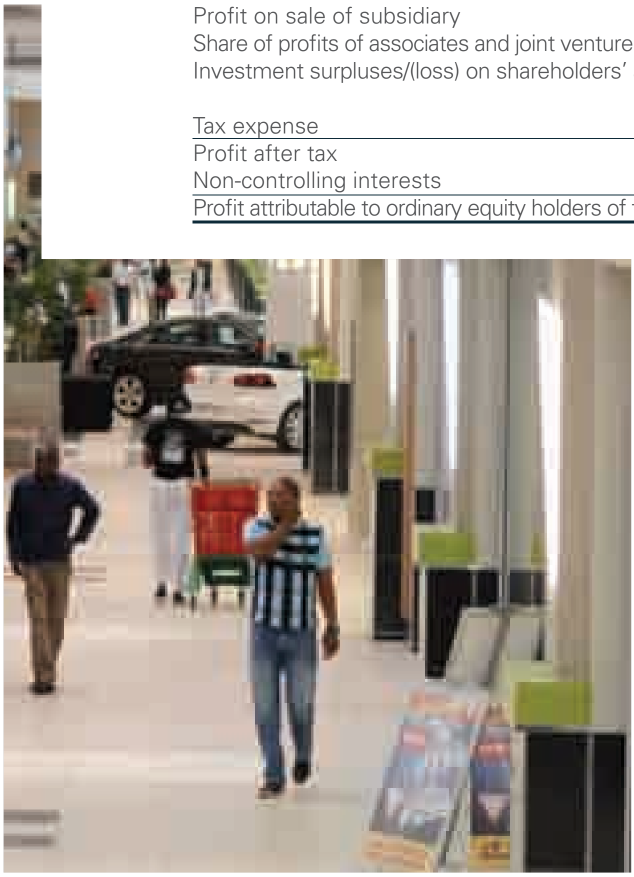
Analysis of shareholders' earnings

	Year to 31 December 2015 P'000	Year to 31 December 2014 P'000	% change
Operating profit	385,884	287,199	34%
Investment income on shareholders' assets	34,078	32,448	5%
Core earnings	419,962	319,647	31%
Fair value adjustments on sale of subsidiary	-	(15,878)	
Profit on sale of short term insurance division	-	932	
Share of profit of associates and joint venture, net of tax	186,728	253,618	(26%)
Investment surpluses on shareholders' assets	114,939	54,821	110%
Profit before tax	721,629	613,140	18%
Tax expense	(123,945)	(107,495)	15%
Profit after tax	597,684	505,645	18%
Non-controlling interests	(2,627)	(6,108)	
Profit attributable to ordinary shareholders	595,057	499,537	19%

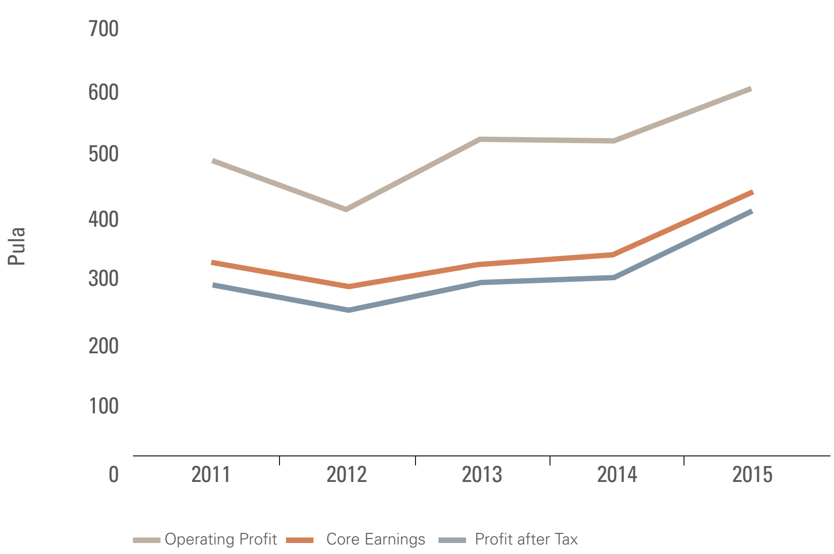
Five year review of core earnings

The performance of the past 5 years is as follows:

	2015 P'000	2014 P'000	2013 P'000	2012 P'000	2011 P'000
Operating profit	385,884	287,199	276,651	232,764	273,146
Investment income on shareholders' assets	34,078	32,448	32,807	37,956	30,612
Core earnings	419,962	319,647	309,458	270,720	303,758
Profit on sale of subsidiary	-	(14,946)	-	6,075	33,785
Share of profits of associates and joint venture, net of tax	186,728	253,618	205,377	196,482	133,872
Investment surpluses/(loss) on shareholders' assets	114,939	54,821	80,112	12,054	56,998
Tax expense	(123,945)	(107,495)	(84,620)	(90,936)	(57,083)
Profit after tax	597,684	505,645	510,327	394,395	471,330
Non-controlling interests	(2627)	(6,108)	(2,273)	(3,477)	(8,357)
Profit attributable to ordinary equity holders of the parent	595,057	499,537	508,054	390,918	462,973



Five year review - Pmillion



ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

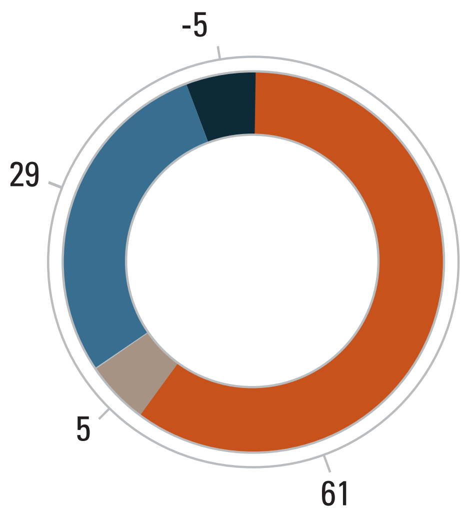
Segment Contribution

	Year to 31 December 2015 P'000	Year to 31 December 2014 P'000	% change
Life insurance business	389,535	317,469	23%
Asset Management business	30,967	49,153	(37%)
Associates	186,728	253,618	(26%)
General insurance	2,504	(27,925)	(109%)
Group expenses	(28,251)	(21,416)	32%
Impairment of goodwill	-	(20,160)	(100%)
*Other	(8,870)	(9,922)	(11%)
	572,612	540,817	

*Other - refers to unit trust and charitable trust

2015 Composition of Group earnings

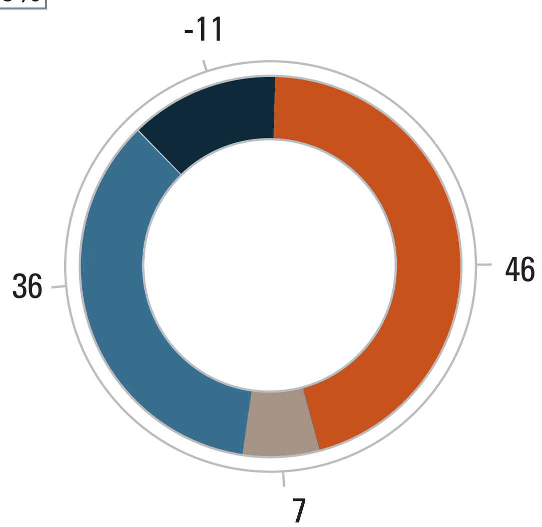
(%) +61%



■ **61%** Life insurance business
■ **5%** Asset Management business
■ **29%** Associates
■ **(5%)** Other

2014 Composition of Group earnings

(%) +46%



■ **46%** Life insurance business
■ **7%** Asset Management business
■ **36%** Associates
■ **(11%)** Other

Value of new business grew by

15%

which represents the present value of future profits

Operating profit saw a significant growth of

34%

from P287 million to P386 million

Investment income increased by

5%

to P34 million due to higher average cash balances

Net Premium Income for the life business grew by 25% from P1.95 billion in 2014 to P2.44 billion in 2015, with most income lines contributing positively to the growth. Total New Business written grew 19%, underpinned by strong single premium income performance. Recurring Premium Income (Net) at P1.015 billion breached the P1 billion mark for the first time in the history of the organisation which is in line with the company's strategy of focusing on sustainable growth.

The Value of New Business (VNB), which represents the present value of future profits from new business premiums written during the year, also grew by a pleasing 15% year on year. Strong operating performance saw a significant growth in operating profit from P317 million to P390 million in 2015, a 23% growth year on year.

Bifm Group attained satisfactory results for the year 2015 remaining buoyant despite a turbulent and challenging market. Operating profit experienced a 20% decline year on year, primarily due to the decrease in Assets Under Management as a result of a mandate withdrawal in first half of the year. Consequently, the business embarked and concluded on realignment processes which resulted in once-off restructuring expenditure contributing further to the decline in profits for 2015. The business nonetheless remained profitable, posting operating profit before taxation of P31 million for the year (excluding Zambia), with profit margin steadying at 46% versus 48% in 2014. Total assets under management stabilised at P20.8 billion (including Zambia's AUM of P3.8 billion).

Legal Guard embarked on a turnaround strategy. As a result of these efforts, the financial performance of the business has significantly improved as illustrated by the return of the business to profitability with operating profits of P3.1 million for the year, compared to a P25.9 million loss in 2014. This result is especially pleasing in light of the difficult domestic economic conditions experienced during the past financial year.

Investment income, which comprises interest and dividend income, increased by 5% to P34 million primarily as a result of higher average cash balances that accumulated during the year. Investment surpluses on shareholders' assets increased by 110% to P115 million and remains susceptible to market volatility as has been witnessed in the past. The Group's share of profit in associates and joint ventures decreased by 26% to P186.7 million mainly due to a material positive change in accounting policies of one associate that was experienced in 2014.

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

ECONOMIC AND FINANCIAL REVIEW (CONTINUED)

RETURN ON EMBEDDED VALUE (EV)

Value of New Business and New Business Margin

	December 2015 P'000	December 2014 P'000
Embedded value at end of year	4,302,451	3,823,689
Embedded value at beginning of year	3,823,689	3,260,161
Change in embedded value	478,762	563,528
Movement in treasury shares	77,502	-
Dividends paid	281,070	216,425
Embedded value earnings	837,334	779,953
Return on embedded value	21.9%	23.9%

Growth in Embedded Value (EV) per share is the most suitable performance indicator to measure wealth creation for shareholders as it indicates the absolute change in value during the reporting period.

Return on Embedded Value measures the return earned by shareholders on shareholder capital retained within the business, adjusted for dividends paid, and is calculated as the embedded value earnings divided by the opening embedded value. The Group managed to achieve an excellent return of 22% that was attributable to outstanding operational performance from its main business, life insurance, as well as a hard earned turnaround to profitability by the general insurance business.

CAPITAL AND SOLVENCY

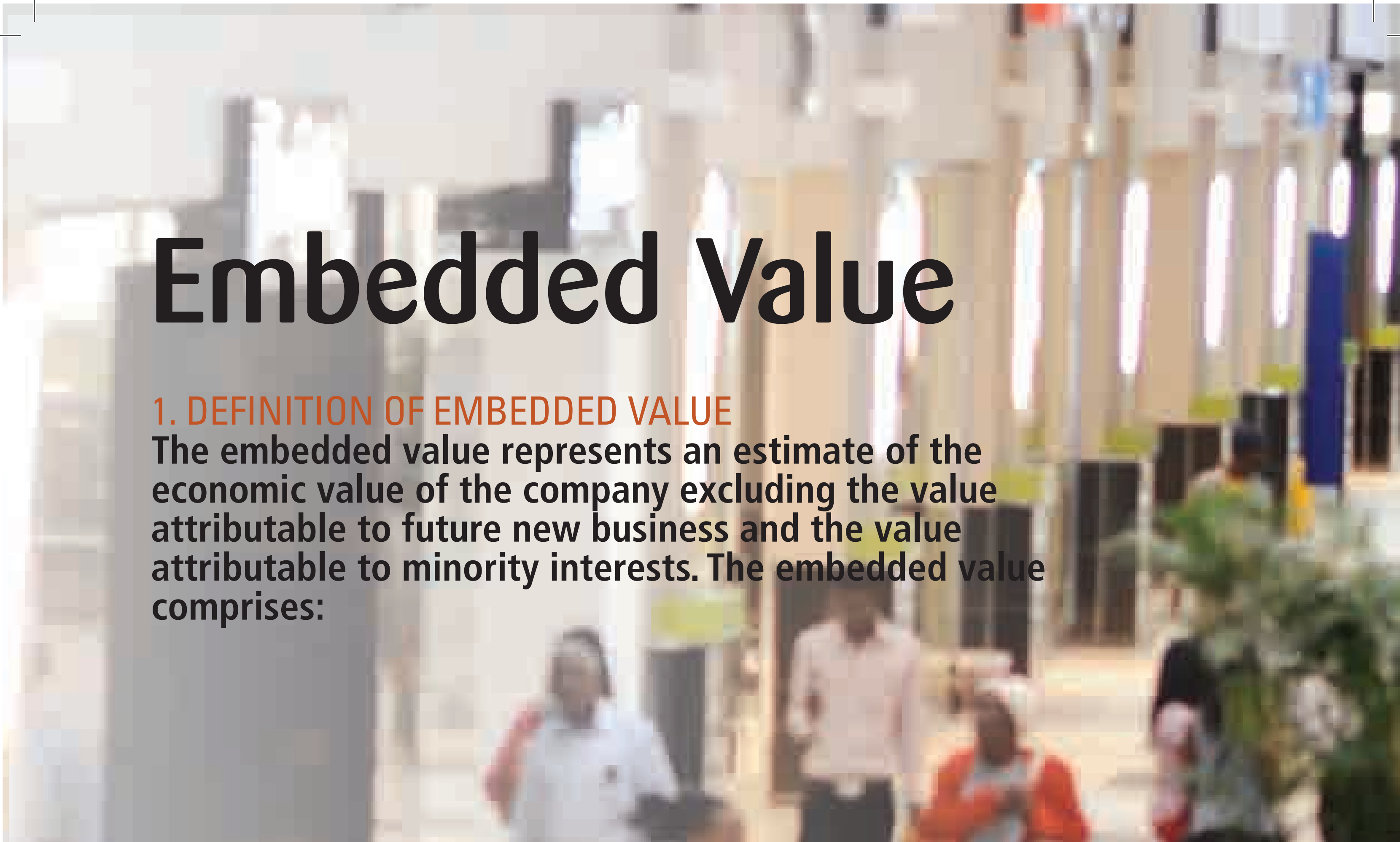
Optimal capital management remains one of the key strategic priorities for the Group, with specific focus on the following: a. Optimising the capital allocated to Group operations b. Optimal allocation of discretionary capital c. Return of capital that does not meet the hurdles of "a" and "b" above to 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 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:

	December 2015 P'000	December 2014 P'000
Assets		
Property and equipment	155,504	20,138
Intangible assets	122,708	122,410
Investments in associates and JV's	1,741,680	1,647,451
Investments	289,797	560,336
Investment properties	83,122	94,867
Equity investments (local and foreign)	44,898	165,975
Interest bearing investments	91,735	244,018
Policy loans and other loan advances	27,916	31,378
Money market instruments	42,126	24,098
Long-term reinsurance assets	3,042	3,728
Deferred tax asset	41	495
Short term insurance technical liabilities	(5,815)	(5,195)
Trade and other payables	(440,156)	(321,765)
Working capital cash	1,055,086	658,468
Minority interests	(17,756)	(18,569)
Total assets	2,904,131	2,667,498



Embedded Value

1. DEFINITION OF EMBEDDED VALUE

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

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

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuationdate, 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 2015, 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

8.8 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

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

= Present value of future profits from in-force Business + Cost of Required Capital – Net Asset Value

Embedded value per share increased by

12%

to P15.74

Dec 2014: P14.00

Return on Group embedded value is

22%

Dec 2014: 24%

EMBEDDED VALUE (CONTINUED)

2. EMBEDDED VALUE RESULTS

	31-Dec-15 P'000	31-Dec-14 P'000
Shareholders' net assets excluding goodwill	2,828,708	2,601,978
Fair value adjustments	199,450	246,953
	3,028,158	2,848,931
Value of in-force business	1,274,293	974,758
Value before cost of capital	1,287,672	1,137,117
Fair value adjustments	107,624	(83,211)
Cost of capital	(121,003)	(79,148)
Embedded value	4,302,451	3,823,689
Embedded value per share (Pula)	15.74	14.00

3. EMBEDDED VALUE EARNINGS

	31-Dec-15 P'000	31-Dec-14 P'000
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	4,302,451	3,823,689
Embedded value at beginning of the year	3,823,689	3,260,161
Change in embedded value	478,762	563,528
Dividends and new capital	358,572	216,425
Embedded value earnings	837,334	779,953
Return on embedded value	22%	24%
These earnings can be analysed as follows:		
Expected return on life business in force	111,720	81,451
Value of new business	170,446	148,249
Value at point of sale	163,640	142,405
Expected return to end of year	6,806	5,844
Operating experience variances	80,280	95,947
Mortality/Morbidity	50,839	82,597
Persistency	3,174	2,562
Expenses	(23,707)	(5,310)
Other	49,974	16,098
Operating assumption changes	89,720	96,487
Mortality/morbidity	48,209	(14,029)
Persistency	16,858	50,816
Expenses	(53,930)	(8,343)
Other	78,583	68,043
Embedded value earnings from operations	452,207	422,134
Investment variances	21,159	26,708
Economic assumption changes	-	22,822
Interest and Inflation	-	4,501
Risk discount rate	-	18,321
Embedded value earnings from covered business	473,366	471,664
Return on shareholders assets	239,133	257,822
Investment Returns	119,139	125,330
Net profit non-life operations	119,994	132,492
Change in shareholders' fund adjustments	124,835	50,467
Movement in fair value of incentive scheme shares	(18,165)	(25,033)
Movement in present value of holding company expenses	1,927	1,940
Changes in treasury share share adjustments	11,841	4,011
Movement in other net worth adjustments	129,232	69,549

	31-Dec-15 P'000	31-Dec-14 P'000
Embedded value earnings	837,334	779,953
Fair value adjustments		
Staff share scheme	(50,629)	6,120
Non-life operations write-up to fair value	346,492	172,055
Group holding expenses	(101,376)	(83,211)
Reversal of cross holding adjustment	112,586	68,778
Total	307,073	163,742
Consisting of		
Net asset value adjustments	199,450	246,953
Value of in-force business adjustments	107,624	(83,211)

4. VALUE OF NEW BUSINESS

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2015, 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-15 P'000	31-Dec-14 P'000
Value of new business at end of the year	170,446	148,249
Value at point of sale after cost of capital	163,640	142,405
Value at point of sale before cost of capital	181,173	156,452
Recurring premium	64,116	64,181
Single premium	117,057	92,271
Cost of capital at point of sale	(17,533)	(14,047)
Expected return to end of year	6,806	5,844

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% P'000	11.0% P'000	12.0% P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	3,028,158	3,028,158	3,028,158
Value of in-force business	1,350,320	1,274,293	1,207,301
Value before cost of capital	1,349,339	1,287,672	1,233,334
Fair value adjustments	107,624	107,624	107,624
Cost of capital	(106,643)	(121,003)	(133,657)
Embedded value	4,378,478	4,302,451	4,235,459
	-		
Value of one year's new business at valuation date	148,606	163,640	128,903
Value before cost of capital	164,159	181,173	148,151
Cost of capital	(15,552)	(17,533)	(19,248)

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-15 % p.a	31-Dec-14 % p.a	31-Dec-13 % p.a	31-Dec-12 % p.a
Risk discount rate	11.00	11.00	11.50	12.50
Overall investment return (before taxation)	8.58	8.58	9.09	10.09
Expense inflation rate	4.50	4.50	5.00	6.00

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 4.5% expense escalation per annum was assumed going forward. (2014:4.5%)

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 2015.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 31 December 2015 by the company.

6.6 Tax

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

6.7 Mix of assets backing the Capital Adequacy Requirement

Asset Class	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12
Equities	0.0%	15.0%	15.0%	15.0%
Property	0.0%	10.0%	10.0%	10.0%
Fixed-interest securities	0.0%	25.0%	25.0%	25.0%
Cash	100.0%	50.0%	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	1,274,293	121,003	1,395,296	
Discontinuance rates decrease by 10%	1,769,954	121,003	1,890,957	35.5%
Future expenses decrease by 10%	1,728,859	121,003	1,849,862	32.6%
Mortality experience decreases by 5%	1,339,037	121,003	1,460,040	4.6%
Investment returns decrease by 1%	1,782,063	125,950	1,908,013	36.7%
Risk discount rate decreases by 1%	1,800,099	106,643	1,906,742	36.7%
Risk discount rate increases by 1%	1,618,413	133,657	1,752,069	25.6%

	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	163,640	17,533	181,173	
Discontinuance rates decrease by 10%	172,013	17,533	189,546	4.6%
Future expenses decrease by 10%	166,946	17,533	184,479	1.8%
Maintenance and acquisition costs decrease by 10%	167,012	17,533	184,545	1.9%
Mortality experience decreases by 5%	162,291	17,533	179,824	(0.7%)
Investment returns decrease by 1%	169,095	17,970	187,065	3.3%
Risk discount rate decreases by 1%	171,597	15,552	187,149	3.3%
Risk discount rate increases by 1%	156,698	19,248	175,945	(2.9%)

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 2015 the Assets and Liabilities under the two approaches are the same.

	31-Dec-15 P'000	31-Dec-14 P'000
Statement of Actuarial Values of Assets and Liabilities		
Total assets	11,159,663	9,893,757
Current liabilities and deferred tax	555,784	422,681
Net assets	10,603,879	9,471,076
Actuarial value of policy liabilities	8,555,330	7,354,668
Excess of assets over liabilities	2,048,549	2,116,408
Capital Adequacy Requirement	164,468	137,085
Capital Adequacy Requirement cover	12.46	15.44
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period as previously reported	2,116,408	1,394,306
Excess assets as at end of reporting period	2,048,549	2,116,408
Change in excess assets over the reporting period	(67,859)	722,102

	31-Dec-15 P'000	31-Dec-14 P'000
This change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities		
Investment income	33,910	49,935
Capital gains	59,983	40,026
Total investment return on shareholders' funds	93,893	89,960
Changes in valuation methods or assumptions	195	(28,486)
Operating profit	388,503	338,430
Taxation	(94,546)	(83,532)
Ordinary shareholders surplus for the period	388,045	316,373
Transfer to share based payment reserve	-	38
Capital contribution through acquisition of investment in associate	26,233	-
Business Combinations	-	571,601
Share of profit from associates and other comprehensive loss from associates	104,066	-
Capital raised and dividends paid	(586,204)	(165,909)
Total change in excess assets	(67,860)	722,103

Certification of financial position on prescribed basis

Changes in valuation methods or assumptions of assets and liabilities

Changes in basis and methodology had a P0.2 million impact on the total value of the policyholder liabilities as at 31 December 2015, (31 December 2014: P28.5 million). The impact of valuation assumption and methodology changes on policyholder liabilities are summarised below.

	31-Dec-15 P'000	31-Dec-14 P'000
Assumptions Change	15.6	18.0
Mortality	10.3)	19.7
Lapse and surrender	(3.1)	(3.3)
Expenses	30.9	3.7
Economic	(1.9)	(1.3)
Other changes	(0.0)	(0.8)
Methodology Change	(15.8)	10.5
Total	0.2	28.5

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 2015 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 2016 budgeted expenses and escalated at the 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 Botswana Life'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 future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rate of 3.0% per annum (2014: 3.0%). A discount rate of 8.8% per annum (2014: 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 future bonuses were provided for at bonus rates of 3.0% per annum (2014: 3.0%). A discount rate of 9.01% per annum (2014: 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.

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.

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

- margin of 15% on surrender rates for Mompati product (2014:15%)
- 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 P239.0 million (Dec 2014: P241.3 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-15 %	31-Dec-14 %
Gilt return	7.5	7.5
Equity return	11.0	11.0
Property return	8.5	8.5
Cash return	6.5	6.5
Average return	8.4	8.4
Expense inflation	4.5	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 2016. The most recent mortality investigation was done in September 2015 using data with exposure in the period 1 January 2012 to 31 December 2014.

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

Valuation basis of policy liabilities for Investment contracts without discretionary participation features

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 P164.5 million (December 2014: P137.1 million) is 12.46 times (December 2014: 15.44 times).

I hereby certify that:

- The valuation of Botswana Life Insurance Limited as at 31 December 2015, 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 Rules 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 Industry 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.

GTWaugh

GT Waugh
Statutory Actuary

V

The total assets for the Group have maintained a steady upward trend.

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.

LifeRewards card has a funeral policy embedded into it at

P35

monthly premium

LifeRewards card covers owner, spouse and up to 6 children with a payout of

P30,000

per person

After 40 years of providing assurance to policy holders, we can now call ourselves a mature business. With this title comes great responsibilities to our industry and to our clients. We are expected to keep our promises for years, even decades, ahead of when a policy will mature.

In order to be able to do that, we need to ensure that this organization continues to run on sound principles of being Courageous, Committed, Caring and Connected (what we call our 4 Cs), to meet the ever changing needs of our clients.

We at BLIL proudly declare that we meet the customer's needs of today and of tomorrow.

In Botswana we have

71%

of Botswana's market share

MARKET SHARE

With more than 300,000 policies and over 100 corporate and affinity Group clients, BIHL continues to leave a lasting impact in shaping Botswana's financial services space.

BLIL contributes approximately

61%

to the Group earnings

LIFE INSURANCE

BLIL was established in 1975
and is a wholly owned subsidiary of Botswana Insurance Holdings Limited (BIHL). BIHL is listed on the Botswana Stock Exchange and is a member of the Sanlam Group Limited with a 58% shareholding and the remaining 42% of BIHL equity is in the hands of Batswana and institutional investors.

Net premium income increased by 25% to

P2.44 billion

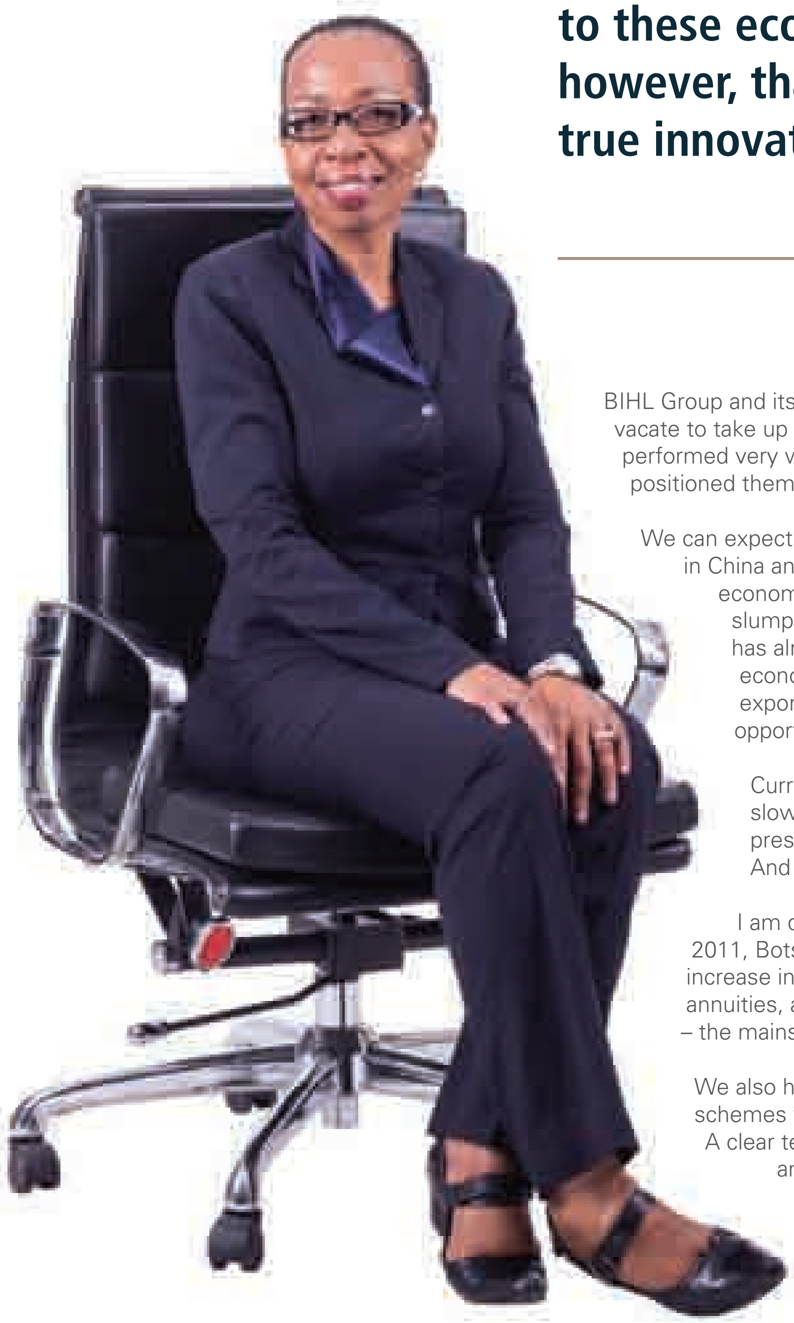
60,000

LifeRewards cards issued

Recurring Premium Income (Net) at

P1billion

Chief Executive Officer's Report



"Economic times are tough; of that there is no doubt. Botswana is no exception to these economic headwinds. I believe, however, that hard times bring out the true innovators among us."

Mrs. Catherine Lesetedi-Letegele

BIHL Group and its major subsidiary, Botswana Life, whose leadership I now vacate to take up the position of BIHL Group CEO, prove my point. Both performed very well in the 2015 financial year, a difficult one at best, and positioned themselves optimally for the new financial year.

We can expect difficult times ahead. Market volatility around the world, in China and the Eurozone in particular, have an impact on African economies as their resources and exports slowed down, oil prices slumped and currencies depreciated. Botswana's government has already predicted a budget deficit for 2015/2016. As resource economies such as Botswana, which relies heavily on diamond exports, slow down, job and wealth creation drop off – and growth opportunities for businesses such as ours begin drying up.

Currency depreciation in terms of international investments, slower economic activity at home and fewer new jobs all put pressure on BIHL to perform as strongly as it habitually does. And it did, operating as it had under very stressful conditions.

I am delighted to report that the subsidiary I have headed since 2011, Botswana Life, has outstripped the market, posting a 23% increase in profits for the 2015 financial year. Our major contributor was annuities, and for the first time recurring individual life premium income – the mainstay of any good life insurance business – breached P1 billion.

We also had a lot of retirements in 2015, but we picked up two schemes worth P400 million that outsourced their liability to us. A clear testament of the market's trust in our ability to manage annuity risk. Retail was, overall, flat, but did well under the circumstances, and I believe it will pick up in 2016. We also contained our costs more efficiently, adding to the overall results.

Botswana Life

This profit increase is particularly significant when one takes into account increased brand competition in the Botswana financial services market, in which Botswana Life is already the dominant player. Moreover, growth opportunities are not infinite, and we must also take into account the fact that some of our lines did not perform entirely as expected (albeit all still profitably).

I ascribe this great success to the Botswana Life team keeping its focus on the company's key business drivers, constantly worrying about the quality of business, and consistently being motivated to deliver on targets. I am grateful to them for the passion and commitment they brought; I leave for the Group head office with my head held high, and secure in the knowledge that the most important asset in BIHL is in great hands.

Going forward, I believe that Botswana Life's two main opportunities lie on a vertical plane: on the one hand, the affluent – middle- to upper-income – market, where Botswana Life is able to offer such clients a combination of financial products, not just the company's. And on the other, further expansion into the unbanked market. Three hundred thousand Batswana have no financial products at all; in 2015 we grew that line by 89% via our Botswana Life LifeRewards Card, which clearly demonstrates the potential in that customer segment. I'm particularly proud, also, that we are able to make a difference in the lives of ordinary people.

As far as Botswana Life's risks go, I think its biggest one is of becoming complacent. It is easy for a market leader to rest on its laurels, thinking its position is unassailable, only to see it lose its dominance to nimbler competitors. It needs to continue to focus on its strategy, focus on expertise and excellence, continuously engage with its clients and continue to deliver relevant life insurance solutions to them. As long as the company continues to do that, and it strives to improve and innovate, it will remain the market leader.

A solution that we are particularly proud of remains the LifeRewards card. This platform has redefined the way insurance works in Botswana. We have been able to provide convenience and increased value to our customers.

WHAT IS IMPORTANT FOR THE BUSINESS

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

The card allows clients with or without bank accounts to have a method of safely and efficiently receiving payments (claims) from BLIL. They are able to then use the card to make purchases across the entire VISA network. The card also allows the user to attain discounts and specials from a large number of participating partners across Botswana. We continue to improve this product as technology advances.

The card also gives our clients access to a Loyalty Funeral Plan with heavily discounted premiums.

A key milestone in the year under review was the rebranding of the BLIL logo and its supporting look and feel. After 40 years in the business, the time had come to refresh our look. We aimed to modernise the brand, bringing it up to speed with what is current and preparing us for our next 40 years. We have kept our iconic bull and simplified the entire look. The feedback we have received has been very encouraging and supportive.

As I move on to my next assignment at the helm of BIHL Group, I would like to thank my predecessor as BIHL Group CEO, Gaffar Hassam, for his leadership and support. I would again like to thank the team I leave at Botswana Life, as well as its Board, for the excellent journey that we have had together. I look forward to continuing to work with you, albeit in a new capacity.

BIHL supports the Group from the centre. Under my stewardship, I aim for it to further entrench the idea of Strength in Numbers: breaking down silos between the businesses, eliminating duplication within the Group, developing an IT centre of excellence, and fostering a culture of working for the greater good to deliver sterling results. That is how we will unleash the real potential that I believe lies within BIHL Group. I relish the challenge that lies before me.

Mrs. Catherine Lesetedi-Letegele
Chief Executive Officer
Botswana Life

BOTSWANA INSURANCE FUND MANAGEMENT

Botswana's oldest and largest Asset Manager.

Botswana Insurance Fund Management (Bifm) is wholly owned by Botswana Insurance Holdings Limited and was established in 1975 as Botswana's first asset management company. Bifm currently manages **over P20.8 billion in assets** from fixed income, equity, real estate and alternative investments. Their portfolio covers non-traditional assets such as the healthcare industry and tourism sector. Bifm also has a 49% stake in Aflife Zambia which deals with asset management and employee benefits in that market.

Operating profit before tax of

P31mil

INVESTMENT

Since establishment, Bifm has been a pioneer in the investment management arena as we invested in the country's first private hospital; in the second five-star hotel; and in shopping malls before the proliferation of malls in Botswana. Bifm has been involved in the development of two major landmarks in Botswana, namely Rail Park Mall and Airport Junction Shopping Centre.

Assets Under Management decreased by 28% to

P20.8bn

Fee income decreased by 20% to

P88.4 million

Since 2012, Bifm has funded

P600 million
in various industries within Botswana

For as little as

P200 a month
one can invest in Bifm Unit Trusts

Chief Executive Officer's Report

"2015 had its challenges for Bifm; however, as the saying goes, 'What does not break you only makes you stronger.'"

Mrs. Neo Bogatsu

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 AND OURSELVES
- BEING FIRM AND FAIR IN EVERYTHING WE DO
- AND BEING HONEST TO A FAULT

This is without a doubt the case for Bifm in the year being reported. From this Report, one will see that tenacity and team effort remain the key ingredients that have ensured that, as the year closed, we remained the leading Asset Managers in Botswana.

We started 2015 with a significant reduction of a key mandate we manage which came as a result of a change in investment strategy by the client. We respected the decision that our client made, however disappointed we may have been. It is certainly worth noting for the record that we remain a service provider for the client and we continue to enjoy a fruitful and mutually beneficial relationship.

The circumstances created by the reduction were the catalyst for change, and dictated that the business be substantially optimised or restructured. While we scaled back other departments within Bifm, a key decision taken was to retain the investment department in its entirety. It is the sharp end of the business, and its contribution is critical to Bifm's continued success.

The result of the optimisation exercise was that we parted ways with collegues who have been instrumental in building our business to what it is today in one way or the other. We would like to thank and pay tribute to our former colleagues. On a positive note, today, Bifm is a much more agile operation; one that is leveraging technology and its associations from within the greater BIHL family and Sanlam. Bifm today is poised for growth from a strong foundation. It is a testament to the commitment and courage of both Bifm's management and Board that we remain a strong and viable company that will be around for a long time to come.

2015 was also a year where we re-energised our approach to client relations and engagements. We have taken a proactive stand to our relationships. The result is that we have come to understand our clients and their challenges much better. We had the opportunity to receive their feedback and opinions, some of it brutally honest, and these we factored into the restructuring of the organisation. Another key factor in Bifm's continued success has been BIHL Group's central philosophy of Strength in Numbers; that each of its subsidiaries support each other in the pursuit of mutual business success. Looking forward, clients will see us take a more proactive emphasis on the retail side of Bifm. This, as always, will be underpinned by our belief in the power of our Strength in Numbers belief system. It makes absolute sense to combine our extensive client bases, and offer them a suite of complementary insurance and investment products. All three businesses stand to benefit, and nobody else in the Botswana marketplace is able to match such a comprehensive approach. Strength in Numbers holds exciting prospects for BIHL Group.

2016 will see a lot more emphasis being placed on creating, entrenching and consolidating more retail products that will help encourage Batswana to start saving and investing to ensure they secure a better future for themselves and their families. At the heart of our retail focus is the concern that Batswana households are over indebted as well as that of the pension net replacement ratios, which are not adequate retirement income. Bifm believes strongly that it can contribute to the savings culture narrative of Botswana. We can do this by creating products that are simple and easy to access, making saving painless and profitable at the same time.

We take on the 2016 financial year armed with the knowledge that we have successfully negotiated a very tough year by employing the correct approach.

This entails doing 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 and ourselves; being firm and fair in everything we do; and being honest to a fault.

None of that will change, and I am therefore confident Bifm will continue to prosper and lead the Asset Management market in Botswana.

Mrs. Neo Bogatsu
Chief Executive Officer
Bifm

LEGAL GUARD

YOUR KEY TO JUSTICE

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.

Internal attorneys at any of our

11

branches

countrywide

ATTORNEYS

Our highly qualified and experienced external panel of attorneys represent our members in for example, civil, criminal and labour matters.

More than

86,000

People can't be wrong

CLIENT BASE

We have a client base of more than 86,000 customers who we provide immediate and efficient legal services to daily.

Operating profit of

P3.1 million

for 2015

12%

reduction in ratio of claims to revenue

Growth in revenue

15%

in 2015

General Manager's Report

"2015 marked another watershed year for Legal Guard. Following two consecutive years of decreasing revenue, growing claims and increased overheads, the business has returned to profitability."

Mr. Mike Dube

We worked to turn things around with a much more strategic approach towards focusing on the legal expenses side of the business. Thus, we sold off the less profitable pure short term insurance business to Botswana Insurance Company Limited (BIC). Following this, we optimised and steamlined the legal expenses business.

2013 and 2014 were characterised by stiff market competition which saw the pure short-term business achieving flat margins and being unable to grow at a level that could sustain the business and, further, the combined business experienced significant claims. As a result, the business required repeated and significant shareholder capital injections to remain afloat. These conditions rendered the prospects of a turnaround extremely remote, and prompted the decision to divest the general insurance business and focus on the original business: Legal Guard.

Following on from the restructuring, the business focused on three key deliverables to achieve recovery; these being: increased revenue, improved customer service, and curbing claims and claims costs. In delivering on its strategy, the need for the following were considered:

- Continuation of positive legacies – ensuring that the business did not discard some of the basic values and methods that had brought it past success
- Avoiding repetitive mistakes – ensuring that the business learned from past errors and did not repeat these unnecessarily
- Building on strengths and capitalising on opportunities – ensuring that the business leveraged its knowledge of market gained over the ten years it had been in business and the opportunities offered by leveraging the knowledge gained from BIHL Group and associated businesses; and
- Overcoming weaknesses and mitigating against threats – through ensuring that the business was not hindered by internal deficiencies and had a plan of action to deal with identifiable risks.

Consequently, the business was able to deliver in its first full year of its strategy, the following:

WHAT IS IMPORTANT FOR THE BUSINESS

- MAKING IMPROVEMENTS TO INTERNAL PROCESSES
- LAUNCHING NEW AND DIFFERENTIATED PRODUCTS
- IMPLEMENTING A NEW ENABLING IT PLATFORM

- Revenue growth of 15% from 2014. This was achieved through proactive sales and marketing campaigns and working in partnership with associated service providers.
- A 12% reduction in the ratio of claims to revenue. This was achieved through streamlining the claims model, introducing structured assessment tools which allowed for careful scrutiny of claims submitted and paid for. The processes adopted also assisted to improve the turnaround of matters handled on behalf of clients and impacted positively on customer service and preserved capital.
- Introduction of a client appointment system as opposed to the 'walk-in' system previously utilised, and a customer service help desk to improve, regulate and facilitate on time client access as well as improve the way client complaints were handled and processed.
- Reviewed and revised existing client policy wording and cover to provide clarity and protection to the clients premiums and quality of benefits
- Introduction of a new brand and logo as part of rejuvenating the business as a sign of commitment to a new way of doing business, the care with which we valued customer service and to change the way the market perceived Legal Guard.

The business looks at the year before as a good beginning, and remains alive to the many challenges that lie ahead. We are cognizant of the need to keep in focus the many little interventions that were put in place to achieve this turn around. The business needs to achieve stability of these interventions to be confident that it will continue to be afloat. The decision to grow revenue, improve customer service and improve claims handling both from an efficiency point and value for money will remain integral to all future strategies going forward.

During 2016 there will, in addition to decisions adopted in 2015, be a focus on making improvements to internal processes, launching new and differentiated products, as well as implementing a new enabling IT platform. All of these activities will drive the business' ongoing commitment to attracting new customers and to retaining the loyalty and brand affinity of its existing clients, whilst delivering improved value financial returns to its shareholders.

Mr. Mike Dube
General Manager
Legal Guard

Human Resources Report

"From a Human Resources (HR) point of view, the 2015 financial year was a momentous one for BIHL Group."

Mr. Onthusitse Max Mosiakgabo

One of HR's biggest tasks in 2015 was a series of executive transitions around BIHL Group, principally the departure of our Group CEO, Gaffar Hassam, to a senior position at Sanlam Emerging Markets, BIHL's majority shareholder. Led by BIHL's Board in these transitions, we put a great deal of work into preparing Catherine Lesetedi-Letegele, then the CEO of Botswana Life, our biggest subsidiary, to take over the BIHL Group CEO position from Gaffar.

Catherine's appointment to the Group CEO role is an especially proud one for BIHL: someone who has spent the vast majority of her career within the Group. It certainly is a cherry on top to have one of our own reach the top Group position.

Of course, Catherine's departure from Botswana Life then necessitated a changing of the guard there; we needed someone to understudy her, with the purpose of having executive continuity, and the position of Deputy CEO was then created. We appointed Bilkiss Moorad to the position.

Simultaneously, the BIHL HR department managed another challenging situation: the restructuring and downscaling of Bifm, our Asset Management company. This followed the painful reduction of the mandate of its largest client. As part of this process, we brought in Neo Bogatsu who moved into the role of Acting CEO and led the restructuring of the Bifm business.

As a result, Bifm now has a leaner, much more agile team. Neo, too, is a natural fit for the CEO position: she has already worked within the business as Chief Financial and Operations Officer for Bifm, and is intimately acquainted with the company. But she had to earn her keep, steering Bifm into stability, introducing its new structure, picking the best team for driving Bifm's new value proposition, and interacting with our stakeholders to create calm – to emphasise that the business remained a going concern.

Turning to Legal Guard, the smallest of our three subsidiaries. This involved a great deal of encouragement as we sought to get everyone committed to the business. But the stunning turnaround there – from a P26 million loss in 2014 to a P3.1 million profit in 2015 – is testament to the calibre and capabilities of General Manager, Mike Dube, a strong leader, and his team. They put in a lot of hard work on rebranding the business, introducing new value systems and energising the company's staff. I am pleased to say that it has paid handsome dividends. We also worked hard to bring in the right talent at Legal Guard; we had to bring in legal minds, to respond to a regulatory point of view. This was sometimes a painful process, but it has been fruitful for the company.

As a matter of fact, all of our subsidiaries – Botswana Life, Bifm and Legal Guard – are market leaders in their own right, which should not be lost on our stakeholders, principally our shareholders and customers. This is testament to the talent we possess across our businesses, their commitment, and their leadership. As someone who specialises in human resources, it gives me great satisfaction to say that our human capital performs as well as our financial capital.

BIHL Group is growing, and with this growth comes synergistic opportunities for our subsidiaries, the sharing of customers, and exposure to a greater market. To achieve this, the Group must be a best-practice employer; it is already earning credibility in the marketplace for being so.

Part of this involves talent mobility. By breaking down silos in the Group and its subsidiaries, we have created an open platform where talent mobility throughout the organisation has been enabled, and as such most appointments in 2015 were internal. In doing so, we leverage the great depth of talent within BIHL, skills move around the subsidiaries, and we open up the possibility of merging cultures at certain levels within the Group. It is also noteworthy that, possibly helped by the success of Legal Guard, general insurance is increasingly being viewed as a career by employees – which was not the case in the past.

The movement of skills has seen people more curious to move horizontally, causing notions of one's career to evolve and changing the conversation at executive level from "shared resources" to "shared talent." This led us to consider the next three years, with discussion around leadership: once you have reached the top, what else can we provide for you if the next level is not your aspiration? How do we deepen your skill? How do we keep you engaged in your space? Thus, we brought in coaching enablement for all 13 executive committee members across the business, with a single coach to help our executives stay ahead of the game. Halfway into this process, we began to involve the next tier, those who report to the executives. We started seeing better returns as our executives were more engaged and more experimental, with a coach to support them as they progressed along the coaching process. I believe part of our business success is attributable to this intervention.

Similarly, where in the past we have always been a best payer for our top talent, and paid them premium short-term incentives, we wanted to explore non-monetary development. We picked the cream of our senior and middle managers, as well as supervisors, across the subsidiaries and supported their management and supervisory training by way of joint ventures between the various companies and Stellenbosch University. In 2015, 12 staff – four each in three programmes – enrolled in this initiative. This has fostered transmission of culture, and the sharing of knowledge and ideas, and enhanced collaboration and relationships across the Group.

BIHL Group is also launching an e-learning platform, which enables staff to train on accredited programmes in a flexible way, when it suits them and not when our training unit is open. This platform is set to reduce training costs, and keep people away from their desks less. We have moved training for agents online, too, in a major training investment: product knowledge and service are key business drivers for BIHL, and support defence and growth of market share.

Technology, too, has revolutionised HR. When I joined the Group in 2010, we had a paper-based system that was inefficient and vulnerable; key files came within a whisker of destruction when an office was flooded, for example. Now, however, we have a fully computerised system, which is of course environmentally friendly, is virtually in real time, and can process a new employee in 30-40 minutes.

Plans are afoot to automate the employee experience from the moment they are inducted, including records, performance management and moving some HR functions – such as leave applications and performance appraisals – to self-service platforms.

A comprehensive review of policies and procedures was carried out across the Group in 2014. This involved the inputs and approval of our staff, harmonised policies and created greater fairness, transparency and ethics throughout the business. This creation of a completely equitable workplace, with the participation of staff, has sharply bolstered employee work satisfaction, I believe. Indeed, in 2015 we improved our rating by a few notches in the Best Company to Work For survey.

In conclusion, I can state confidently that BIHL Group's Strength in Numbers mantra – that by working together, we can achieve more than we would individually – is becoming an even greater reality. We are also becoming wiser and more trusting of each other as a family. I believe we can only get stronger going forward. With the current leadership change, we see the same conversation becoming more and more around: "Let's work together as a family. Let's collaborate more. Let's explore synergy." I think we are all aligned. The Chairman of our Board, Batsho Dambe-Groth, recently commented, "There is a positive rhythm here. I look forward to the prospects of positive collaboration for the Group as a whole." When I hear that kind of feedback about our people, then I know we are hitting the mark.

HUMAN RESOURCES REPORT (CONTINUED)

BIHL STAFF #BIHL40 ACTIVITIES

As part of BIHL Group's efforts towards giving back to the community we have called our home for 40 years, we banded together as the staff of BIHL Group, Bifm, Legal Guard and Botswana Life, to commit to a minimum of 40 minutes of community service of our choosing. Here, we share just a few of the many incredible and inspiring activities our fellow colleagues drove.

Sedilame Babedi

is part of the Legal Guard team for her chosen project, Sedilame wanted to help make the experience of going to school feel special, sacred and exciting.

This means having pride in one's appearance and the instruments that make one's learning a joy. Thus, Sedilame used her time, effort and resources to donate school uniform as well as P.E. uniform to 10 less fortunate students at Jwana Primary School in Jwaneng. She handed over the new uniforms as well as spent a little time getting to know the kids, their school, and the wonderful learning environment they spend their days in.

Pinkie Moloi , a member of Bifm, journeyed to Mochudi for her CSI contribution. She worked with VDC Chairperson, Mrs. Motshegwa, to identify 4 less privileged families in the Mochudi community whom she could assist. Pinkie then donated blankets and mattresses to the families.

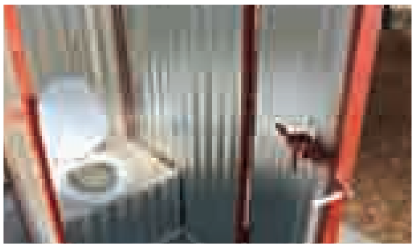
The families selected were chosen with a particular criteria: where there was a parent or guardian raising orphaned children. This was Pinkie's way of showing support not only for those less fortunate, but those making a difference in the life of a child out of the goodness of their heart in what could be considered the ultimate act of human compassion. The celebration of generosity was held before the village Chief as well as members of the community.

HUMAN RESOURCES REPORT (CONTINUED)

BIHL STAFF #BIHL40 ACTIVITIES
(CONTINUED)

Batho Mongale BIHL Group staff member, chose a project that was a little more hands on in terms of labour. Batho helped fence the yard of a deaf, elderly gentleman named Jane, who lives in Borotsi (near Mogobane).

Batho also helped build a pit-latrine toilet on the property, following conversation with the gentlemen about the kind of infrastructure he struggled with at his home. As with many of the projects carried out by staff, Batho's was one which sought to ensure a tangible impact in the lives of individuals in more remote areas or who do not otherwise have any other means of support.



Judith Mapitse's generosity and philanthropy was extended to students of Shadishadi Primary School in the Kweneng District.

Judith, a member of Botswana Life, donated toiletry kits to students at the school, firm in her conviction that basic sanitary items should be the right of all, and access to such items should not be a challenge in today's society. Judith enlisted the support of her church colleagues to help raise funds that further made her handover a success.

Tshepang Tshweneetsile. Touched by having witnessed school children in Lerolwane walk to class each morning in the dead of winter without even a simple pair of shoes, Tshepang donated 55 pairs of shoes to children of the community.

Tshepang says he felt absolutely compelled to make a difference, as no child should have to suffer simply because they strive to receive an education. Tshepang's efforts earned him even greater support from BIHL Trust and his colleagues, who used the BIHL Trust Facebook page to vote for Tshepang's project as being the best, most heart-warming story. The Trust helped Tshepang with his project, and rewarded him through the competition for best project with P5000.00. All our staff members were the living embodiment of botho, compassion, and kindness, characteristics which are at the very heart of our culture and indeed of BIHL. As a family, we commend every effort made by every one of the team, and look forward to growing this spirit of kindness further.

SUSTAINABILITY REVIEW

3

We constantly strive to identify ways to ensure preservation and betterment of our community and our environment.

LEAN AND GREEN 80

Working towards a more positive impact for our people, our planet, and our profits.

SUSTAINABLE IMPACT IN OUR COMMUNITIES 88

Sustainability is not just a buzz word for us; it is at the heart of our business.

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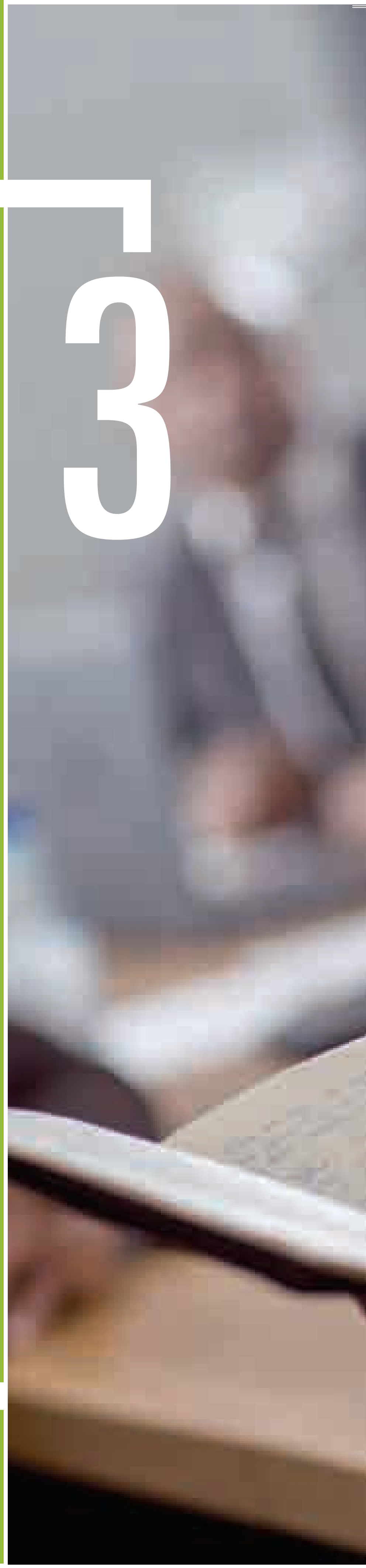
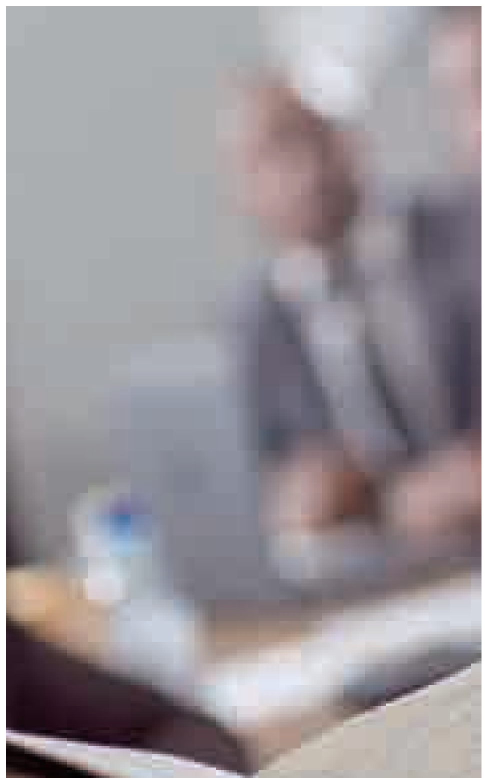




SUSTAINABILITY HIGHLIGHTS

GETTING GREENER AND LEANER FOR A BETTER FUTURE

At the BIHL Group, we observe a multitude of governance checks and balances that keep our business endeavours on the proverbial straight and narrow. Accordingly, it is a natural fit for us to want to observe what we can term good environmental governance, or sustainability, in our daily operations.

At BIHL and its subsidiaries, as we aim to return value to all our stakeholders through relevant policies, we are very much alive to the fact that sustainability has an all-encompassing reach. The longer we do good in the environment where we operate, the longer we can continue to return value to our shareholders and partners, and the longer we can continue to give back to the communities we support and thrive with.

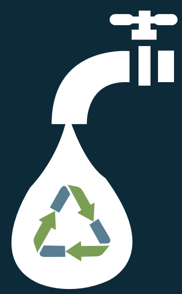
In 2014, BIHL embarked on a programme to review usage on resources like power and water throughout the subsidiaries within the business. What the Group was aiming to do was to understand how the resources were currently utilised, and then to improve on efficiencies and ultimately reduce costs and the impact on the environment. The initial statistics focused on water, electricity, telephone and printing costs were used as an initial benchmark. After making a comparison between the 2014 and 2013, utilities costs, the business will understand where and how to begin to effect positive sustainability initiatives.

Overall there has been a general increase in the total cost of utilities across the business, a part of the increases can be attributed to annual rates increases from suppliers.

staff numbers were significantly reduced leaving a smaller staff compliment for Legal Guard.

The move to a more compact office space, Block A at Fairgrounds Office Park, is **reflected in the reduced amount of office resources used.**

WATER



BIHL embarked on a programme to review usage on resources like **power and water** throughout the subsidiaries within the business.

PRINTING

There was **a measurable reduction in the use of** printing paper experienced throughout the business as email communication was encouraged thoughout.

ELECTRICITY

BIHL office **electricity usage increased** and this is an area we need to look into going forward.

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

BIHL

	ACTUAL Dec-15 P	PRIOR Dec-14 P	%
Office Electricity	124,213	102,561	21
Office Water	8,880	7,442	19
Cellphone	263,587	347,477	(24)
Telephones & Fax	150,943	167,869	(10)
Printing	668,169	722,587	(8)
Total	1,215,792	1,347,936	(10)

BOTSWANA LIFE

	ACTUAL Dec-15 P	PRIOR Dec-14 P	%
Water	P57,793	P92,110	(37)
Power	P1,016,854	P647,413	57
Telephones and fax	P3,136,381	P2,630,592	19
Printing	P949,150	P436,645	117
Total	5,160,178	3,806,671	36

BIFM

	ACTUAL Dec-15 P	PRIOR Dec-14 P	%
Printing & Fax	P241,114		
Telephone	P433,723	644,384	(33)
Water & Electricity	P356,236	173,446	105
Total	1,031,073	817,830	26

LEGAL GUARD

	Dec-15 P	Dec-14 P	%
Office Water	10,065	9,607	5
Office Electricity	66,214	102,604	(35)
Telephone & Fax	252,317	135,265	87
Printing	355,124	265,014	34
Total	683,720	512,490	33

BOARD OF DIRECTORS

BATSHO DAMBE-GROTH (50) +++
Board Chairman

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. Mrs. Dambe-Groth joined BIHL in 1994 and by the time of her resignation in 2003, she had progressed to the position of Assistant General Manager, Support Services. 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. Mrs. 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 WorldatWork professional compensation body.

GAFFAR HASSAM (40) +
Gaffar Hassam is an Executive at Sanlam Emerging Markets

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 was appointed Acting CEO of BIHL in April 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); and a Member of Botswana Institute of Chartered Accountants (BICA).

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

JOHN HINCHLIFFE (59) +++
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 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.

MAHUBE CHILISANA MPUGWA (48) +++

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

CHANDRA CHAUHAN (54) +++

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

LIEUTENANT GENERAL TEBOGO CARTER MASIRE (60) +++

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 (BDF) 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.

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

BOARD OF DIRECTORS (CONTINUED)

GERRIT VAN HEERDE (48) ++

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, Namibia 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.

HEINIE WERTH (52) ++

Heinie Werth is Chief Executive Officer of Sanlam Emerging Markets (Pty) Ltd. He was appointed to the BIHL Board on 15 May 2006. A Chartered Accountant, Mr. Werth joined Sanlam as an Investigative Accountant in 1990 and held various positions throughout the Group before being appointed to his current position in 2005.

He serves as a Director on various Boards in South Africa, India, Namibia and Botswana.

He has a B.Acc and Honours degree from Stellenbosch University, an MBA (cum laude) from Stellenbosch University, and an EDP from Manchester Business School.

ANDRE ROUX (54) ++

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.

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

TERTIUS STEARS (44) (ALTERNATE TO HEINIE WERTH)++

Tertius Stears is the Group CEO of Sanlam Namibia Holdings and is responsible for the strategic and overall management of the Group in Namibia. The Group consists of Sanlam Namibia Holdings, Sanlam Namibia Ltd, Life Office of Namibia Ltd, Capricorn & Sanlam Unit Trust Management Companies. In addition to the Namibian business, Tertius also manages the Sanlam Groups' investments in Malawi, Zambia and Mozambique and serves on these Boards. He has been with the Group for more than 20 years and previously served in various positions including Financial Manager and Chief Operating Officer.

Tertius is an associate member of The Chartered Institute of Management Accountants (CIMA) and he holds B. Accounting and Hons B.Com degrees from the University of Stellenbosch. He also attended a Senior Executive Programme (SEP) at the WITS and Harvard Business Schools.

Tertius is currently the Chairman of LAAN and previously chaired the Technical sub-committee dealing specifically with all legislative developments.

MEMBERS OF THE BOTSWANA LIFE INSURANCE LIMITED BOARD (BLIL)

John Hinchliffe (Chairman)
Catherine Lesetedi–Letegele (CEO)
Heinie Werth
Patient Samukelo Thuto
Thapelo Lippe (appointed 19 May 2015)
Lizelle Nel (appointed 20 March 2015)

MEMBERS OF THE BOTSWANA INSURANCE FUND MANAGEMENT LIMITED BOARD (BIFM)

Chandra Chauhan (Chairman)
Neo Bogatsu (CEO)
Mahube Mpugwa
Andre Roux
Robert Dommisse
(Resigned 30 June 2015)
Gerrit van Heerde
(Appointed 30 June 2015)
Premchand Shah

MEMBERS OF THE BIHL INSURANCE COMPANY LIMITED BOARD (BIHLIC) (LEGAL GUARD)

John Hinchliffe (Chairman)
Batsho Dambe-Groth
Lourens Joubert
Riaan Louw (appointed 10 July 2015)

MEMBERS OF THE BIFM UNIT TRUSTS (PROPRIETARY) LIMITED BOARD

Patient Samukelo Thuto (Chairman)
Mike Main
Maipelo Motshwane
Gaffar Hassam

BIHL AUDIT AND RISK COMMITTEE

Gerrit van Heerde - Chairman
(Appointed 30 June 2015)
Robert Dommisse (Resigned 30 June 2015)
Chandra Chauhan
John Hinchliffe

BIHL INVESTMENT COMMITTEE

Andre Roux (Chairman)
Mahube Mpugwa
Gerrit van Heerde

NOMINATIONS COMMITTEE

Batsho Dambe–Groth
Heinie Werth
Chandra Chauhan

INDEPENDENT REVIEW COMMITTEE

John Hinchliffe (Chairman)
Chandra Chauhan

HUMAN RESOURCES COMMITTEE

Batsho Dambe–Groth
(Acting Chairman)
Mpho Seboni (Chairman)
(Resigned 30th June 2015)
Robert Dommisse
(Resigned 30th June 2015)
Gerrit van Heerde
(Appointed 30th June 2015
Heinie Werth

MANAGEMENT TEAM

GAFFAR HASSAM (40)

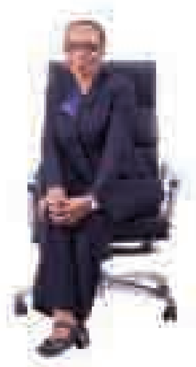
Gaffar Hassam is an Executive at Sanlam Emerging Markets, focused on the Southern Africa region. He is the former Group Chief Executive Officer of BIHL, with a tenure that ended on 29th February 2016.

Gaffar became a member of the BIHL Board on 01 December 2011. He was appointed Acting CEO of BIHL in April 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. Gaffar 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); and a Member of Botswana Institute of Chartered Accountants (BICA).

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

CATHERINE LESETEDI-LETEGELE (48)

Catherine Lesetedi-Letegele is CEO of Botswana Life Insurance Limited (BLIL), appointed in July 2010. Catherine first joined 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 Broker Business until March 2010 when she was appointed Acting CEO of the company and then CEO in July. Catherine currently serves on the Boards of Funeral Services Group Limited and FMRE, a re-insurance company. She holds a BA in Statistics and Demography (University of Botswana), an MDP from the Graduate School of Business (University of Cape Town), and a Certificate in Executive Leadership (Cornell University, New York City), as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies (UNISA). She has undertaken the Sanlam Executive Leadership Programme, Gordon Institute of Business Science (July 2014). Catherine is also an Associate of the Insurance Institute of South Africa (AIISA).



ANDRE BESTER (44)

Andre Bester was appointed as Group Chief Financial Officer of BIHL 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 a period of two years. Andre 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 greenfields operations and Chief Financial Officer when the business became operational in 2006. He has a B.Comm degree and Honours degrees in Management Accounting (University of Stellenbosch) and Accounting (UNISA) and is a member of the South African Institute of Chartered Accountants (SAICA) Chartered Institute of Management Accountants (CIMA) and the Botswana Institute of Chartered Accountants (BICA).

NEO BOGATSU (42)

Neo Bogatsu is an Executive MBA graduate of the University of Chicago Booth School of Business and holds a B.Comm (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 become 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 Performance 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 Acting Chief Executive Officer in March 2015. Neo was appointed CEO of Bifm in December 2015.

Neo is a finance professional with in-depth experience in Strategic Planning, Project Management, Business performance and management. Years of experience in 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.

BILKISS MOORAD (49)

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 her 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.

ONTHUSITSE MAX MOSIAKGABO (41)

Onthusitse Max Mosiakgabo, a passionate HR Specialist with over 15 years' extensive experience in the various HR fields, was appointed Group Head of Human 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 Limited 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, HRMC 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 for Human Resources Management (SHRM).

MIKE DUBE (50)

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 starting 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 off one part of the business, Mike was assigned to Legal Guard to restructure Legal Guard, the remaining part of the BIHLIC business which was experiencing a number of challenges in delivering on its mandate and providing a return to the investors. Mike 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.Comm (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.

Sustainability Report 2015

On the lips of many as the latest corporate fixation, an underlying philosophy and practice of sustainability has always been at the very heart of BIHL Group.

It remains central to the very way in which we do business, and in how we engage with our fellow community members. After all, the Group is in the "future" business: the products and services we sell today will usually only be required by our clients in the distant future. Indeed, what we do today will affect our sustainability as a business – our ability to deliver that future. On the bedrock of forty 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 social fabric. 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.

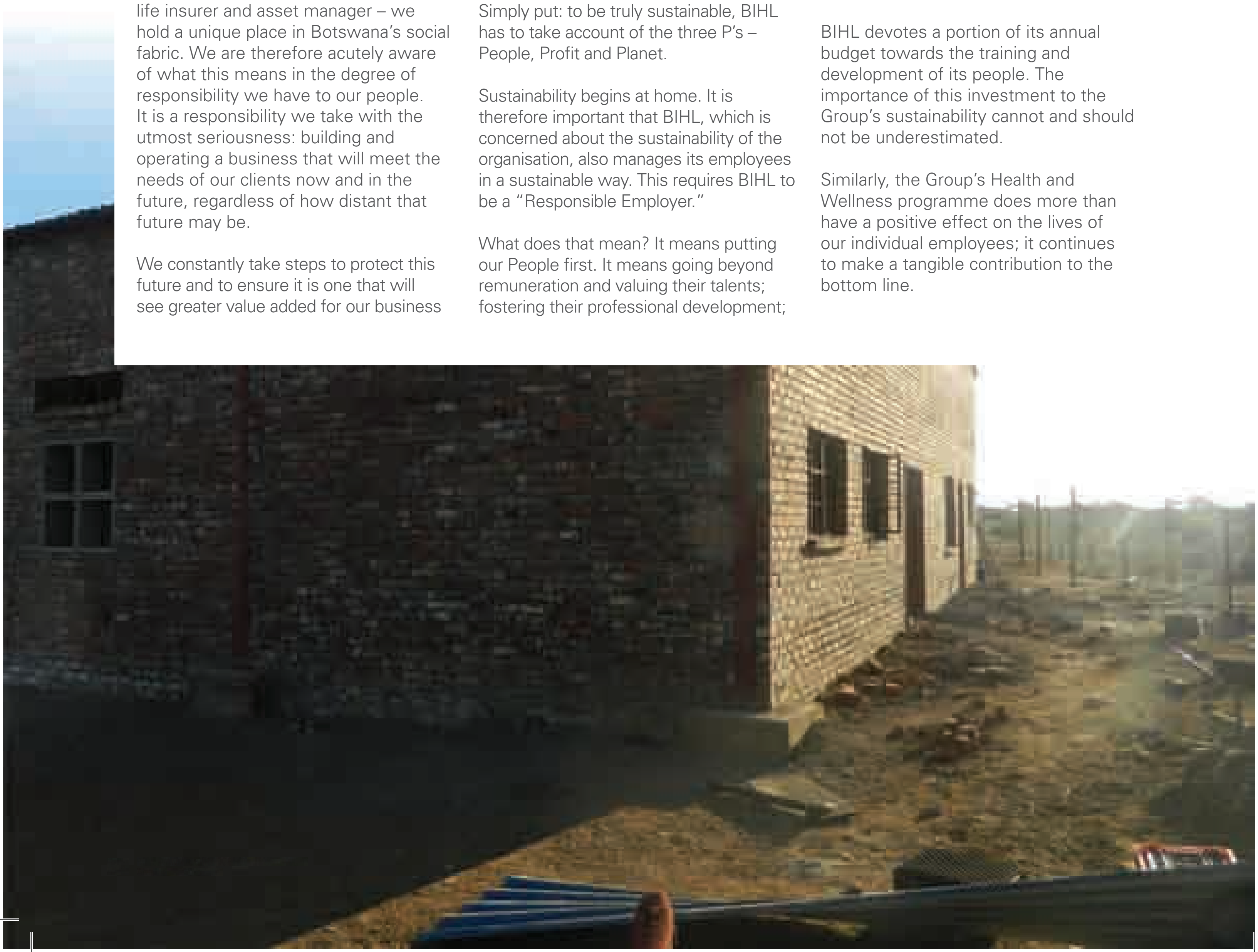
We constantly take steps to protect this future and to ensure it is one that will see greater value added for our business and indeed for all of our stakeholders. For example, we always have assets to match our annuities to ensure that when our clients want to start drawing on their pensions tomorrow, 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 P's – 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. 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.



Since its inception in 2007, BIHL Trust has committed over

P12 million

for CSI activities, supporting worthy causes across the country

CORPORATE SOCIAL INVESTMENT (CSI)

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, with over P12 million committed and delivered for CSI activities, supporting worthy causes across the country. 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. BIHL's contribution towards the enhancement of the quality of life of all Batswana, however, goes beyond charitable work and sponsorships.

DEVELOPMENT

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.

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 mall shopping 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

Ultimately, the other two sustainability pillars – Planet and People – would collapse without the third: Profit. Profit is about the business of the business, its financial and operational sustainability.

We recognise that by conducting the Group's affairs with integrity and 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, 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.

PLANET

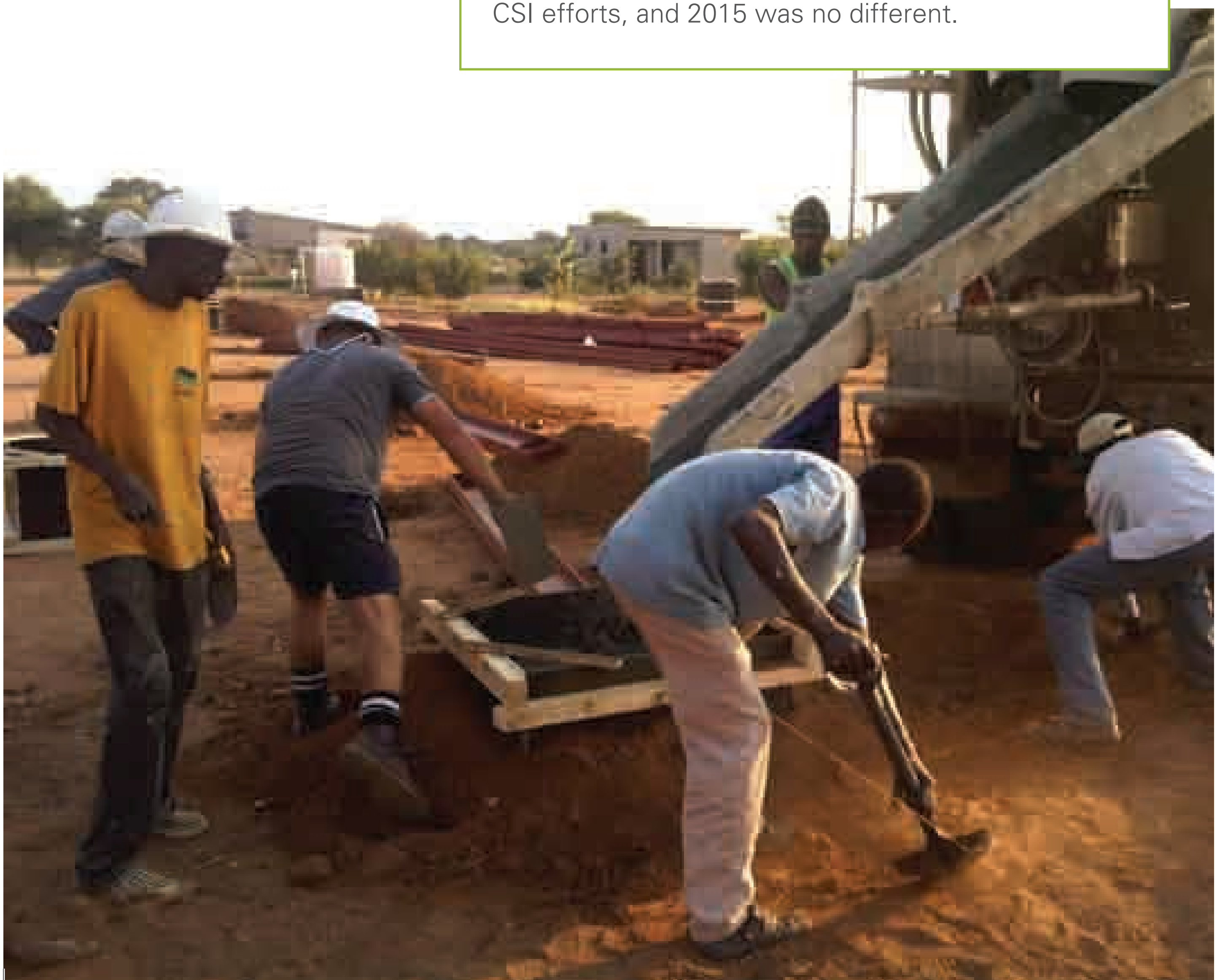
For many, sustainability is about the environment, saving the planet, and being "green." As a Financial Services company, we recognise that by changing our corporate behaviour, we can contribute towards a sustainable planet.

We have long conducted Environmental Impact Assessments of our new property investments and developments, but now we are doing even more.

Corporate Social Investment

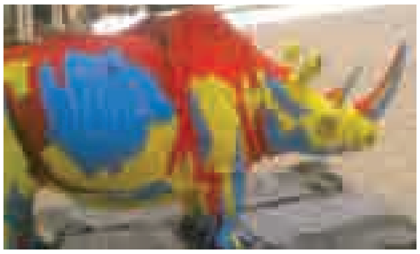
Introduction

It has long been the belief of everyone at BIHL, its subsidiaries, and the BIHL Trust, that philanthropic work needs to have a long term and sustainable impact. We strive to see the fruits of our support alive across communities well into the future. This means a focus on projects and initiatives in the long term, leveraging relationships built and seeds sown with potential for further development and aid. We champion self-sufficient, empowered outcome in our CSI efforts, and 2015 was no different.



01.

BIHL TRUST COLLABORATES WITH LOCAL ARTISTS IN ENVIRONMENTAL IMPACT CAMPAIGN



BIHL Trust launched a nationwide project aimed at increasing awareness around rhino conservation efforts. Specially commissioned life sized rhino sculptures popped up in key locations across the country, symbols of a much greater message from the Trust: the need for greater awareness around rhino conservation.

A total of 3 fibreglass sculptures, developed by artist Joseph Moemedi Piet at Thapong Visual Arts in Gaborone, made their way to their new homes at the Museum in Maun; the Civic Centre gardens in Francistown; and the Molapo Crossing Piazza in Gaborone, respectively. Each sculpture was decorated by local artists including: Arone Edward, Christopher Ntwaagae Mokgeledi, and Bolaane Mazebedi, serving as a platform for local talent exposure and development. This also sought to spark greater debate and action in the fight for rhino protection.

CORPORATE SOCIAL INVESTMENT

02.

BIHL TRUST THOMAS TLOU SCHOLARSHIP APPLICATIONS OPEN FOR 2015

Applications opened for the highly sought after Thomas Tlou Scholarship programme in what was the 4th year of the now renowned programme. Education remains a key area of focus for the BIHL Trust, and the Thomas Tlou Scholarship Programme remains a cornerstone aspect of this.

BIHL Trust conceptualised the BIHL Trust Thomas Tlou Scholarship, with the blessing of Professor Sheila Tlou and named it after the late Professor Thomas Tlou, in 2012. The scholarship benefits talented young Batswana with aspirations to pursue postgraduate studies in any discipline aimed at contributing to Botswana's socio-economic development. 2015 saw the number of scholarships awarded increased to 10 and the first students benefitting from the programme graduating.

03.

BIHL TRUST COMMITS TO DEVELOPING KHAWA

BIHL Trust committed to aiding in the development of Khawa Village. BIHL Trustees and BIHL Group staff members shared the news before attendees of the now infamous sporting and cultural festival, the Khawa Dune Challenge and Cultural Festival. They noted that this comes as part of the Trust's longstanding reputation to help uplift communities.

The Trust identified the residents of Khawa as a key beneficiary of a yet-to-be revealed project in the pipeline. Now, the task remains to ascertain the key needs and resources already in play so that the impact the Trust strives to make is a relevant, sustainable one.

04.

STEPPING STONES INTERNATIONAL, BIHL AND MOESD LAUNCH SECOND LITERACY TRAINING

A focus on improving literacy rates in schools nationwide continues to be a priority for BIHL Trust, as 2015 saw the launch of the second wave of the Literacy Training Project. In two cohorts across the year, a total of 130 teachers were trained as part of a Public-Private Partnership between the Ministry of Education & Skills Development (MoESD), BIHL Trust and Stepping Stones International.

The project, first launched in 2014, works to empower and equip local teachers with the skills and resources to foster greater English literacy levels amongst young students.

05.

BIHL TRUST PROMOTES ACADEMIC INCLUSION

The Trust handed over

P200,000

to the OVC fund

For the 6th consecutive year, BIHL Trust showed support for the Maru-a-Pula (MaP) Secondary School Orphan and Vulnerable Children's (OVC) Programme. The Trust handed over P200,000.00 to the OVC fund, a testament to its unwavering dedication towards empowering young Batswana through education. The OVC Programme was formally launched in 2005 and continues to award scholarships to orphaned children to enable them to attend the renowned private school.

This ensures that lack of access to quality education does not prove a hindrance to disadvantaged children.

To date, BIHL Trust has channeled P1.2 million towards the Programme. The Fund has supported students who have since attended such exalted international institutions as Stanford University, Princeton University, and Massachusetts Institute of Technology (MIT).

CORPORATE SOCIAL INVESTMENT (CONTINUED)

06. #BIHL40 CULMINATES IN 40 CSI PROJECTS FOR THE YEAR

Celebrating 40 years in the market, BIHL Group rewarded communities through 40 CSI projects championed throughout the course of 2015. The Group rallied employees to conduct philanthropic projects directly and through the BIHL Trust, aimed at strengthening the culture of giving and community engagement. The Group's 380 employees championed projects of their own accord, supported by the Trust.

Projects ranged from annual legacy projects such as the Thomas Tlou Scholarship, Maru-a-Pula OVC Trust and Stepping Stones International Literacy Training Programme, to more isolated efforts such as the #RhinosInTheCity platform. Staff driven projects included that of: Connie Rahube, who donated to the School of the Blind in Mochudi; and Tiny Vaughn, who donated 100 pairs of school shoes in Molapowabojang.

These were just some of the many initiatives, majority of which were documented on the BIHL Trust Facebook page (www.facebook.com/bihltrust) to create greater awareness around the importance of CSI activities.

The 40 projects driven across the business are as follows:

1. President's Housing Appeal donation
2. Staff member initiative: Batho Mongale - fencing and installing pit latrine - Ramotswa
3. Prof. Thomas Tlou Scholarship awarded as per annual efforts
4. Staff member initiative: Pinkie Moloi - Donated mattresses and blankets - Mochudi
5. Stepping Stones - Literacy Training Programme sponsorship
6. Staff member initiative: Mmabontle Sentsho - blankets to underprivileged children - Monwane
7. Maru-a-Pula OVC Trust annual contribution
8. Staff member initiative: Connie Rahube - Donated to the School of the blind in Mochudi
9. Gamodubu Child Care Trust Centre donation
10. Staff member initiative: Tiny Vaughn - donated 100 pairs of school shoes in Molapowabojang
11. Khama Rhino Sanctuary sponsorship of ear-nothing and DNA sampling
12. Staff member initiative: Tshepang Tshweneetsile - Donated school shoes to students in Lerolwane
13. #RhinosInTheCity awareness campaign
14. Staff member initiative: Judith Mapitse - toiletries for 450 students in Shadishadi
15. Abian Ntshabele donation/contribution
16. Staff member initiative: Sedilame Babedi - donated uniform and PE wear to 10 under privileged children in Jwaneng
17. Maunatlala Housing Project donation/contribution
18. Staff member initiative: Donald Koogotsitse - Leadership training for the Botswana Young Farmers Association
19. Tshwaragano Trust donation/contribution
20. Staff member initiative: Theo Senabye - Renovate a house in Otse
21. Lady Khama Trust donation/contribution
22. Staff member initiative: Mpho Bahuma - toiletries for 40 blind children
23. Masire-Mwamba's office donation/contribution
24. Staff member initiative: Johannes Ralegoreng - purchase tracksuits for Mafolofolo volleyball club
25. Y Care Charitable Trust donation/contribution
26. Staff member initiative: Refilwe Shoshong – Donating of 3 sewing machines for Spring of life
27. Leonard Mpowane Donation
28. Staff member initiative: Lebogang Medupe – Provide school books to Little Souls primary School - Shoshong
29. Scouting Trip (Chobe & Kgalagadi) Bakery Community Project
30. Staff member initiative: Tlotlo Mookodi – Purchase of a wheelchair for a paraplegic man.
31. SOS Children's Village donation/contribution
32. Staff member initiative: Davis Mogapi – Prize giving talk at Bopaganang Primary School in Verda
33. Khawa Dune Challenge donation/contribution
34. Staff member initiative: Gofha Sechele – Food hampers at House of Peace Orphan Centre in Mogoditshane
35. Makgadikgadi Walk donation/contribution
36. Staff member initiative: Mphoeng Mphoeng – tennis equipment donation to SOS Children's Village
37. Matsha Disaster Recovery donation/contribution
38. Staff member initiative: Gofha Sechele - Xmas food hampers to Little Eden's Justice & Peace Centre who look after street kids in Tlokweng
39. Staff member initiative: Lebogang Tukula - Marina Cancer patients engagement
40. Staff member initiative: Botshelo Ramasuswana - Young Women Christian Association, painting & providing kids' chairs at pre-school in Kanye

CORPORATE GOVERNANCE

4

Corporate governance and a strong focus on strong governance practices lies at the very heart of how we do business.

COMMITTED TO BEST PRACTICES 98

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

OUR APPROACH 108

Over the years BIHL Group has prided itself as a trailblazer in terms of Corporate Governance. We do this as nothing less would do justice to the many thousands of shareholders that have entrusted us with their valuable investment.

OUR PRIORITY 116

Our clients will always be our key priority as we strive to add value to their lives.

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Corporate Governance Report

Statement of Commitment

The Group is dedicated towards 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 commitment, the Board supports the highest standards of corporate governance and the development of best practice. The Board is of the opinion 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.

The Botswana Code was introduced in 2013. The rationale in introducing this code was that, while the King III report remained relevant, there was a need to recognise special country specific circumstances.

The Board comprises Five Independent Non-Executive Directors, Three Non-Executive Directors and One Executive Director

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 BIHL's constitution, must comprise at least four and not more than twleve 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 Chairman and the Chief Executive Officer are separate, and the composition of the Board ensures a balance of authority precluding any one director from exercising unfettered powers of decision making. The Board is assisted in fulfilling its responsibilities by the following sub-committees:

- Audit and Risk Committee
- Human Resources Committee
- 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 representing, 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 representing, a shareholder.

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

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

Appointments

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

Resignations

Messers Mpho Seboni and Robert Dommisse resigned as Directors on 30 June 2015.

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).

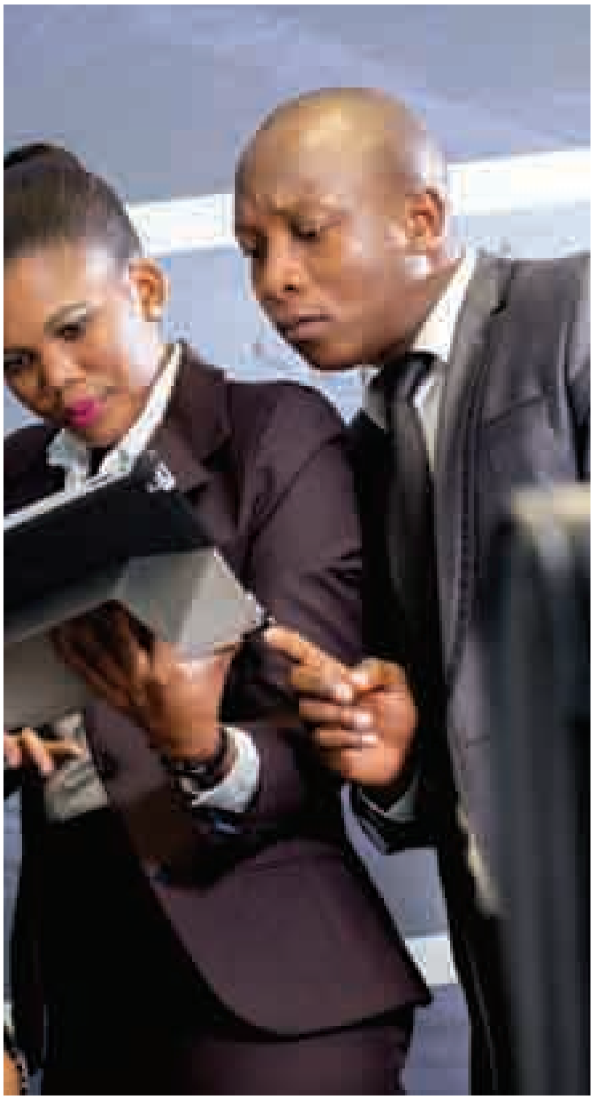
The Non-Executive Directors do not hold service contracts with BIHL and their remuneration is not dependent on their respective performance.

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
B Dambe-Groth	3/4	n/a	3/4
C Chauhan	4/4	4/4	n/a
J Hinchliffe	4/4	4/4	n/a
M Mpugwa	4/4	n/a	n/a
H Werth	4/4	n/a	3/4
G van Heerde	4/4	4/4	4/4
A Roux	4/4	n/a	na/
LT General T Masire	2/4	n/a	n/a
G Hassam	4/4	n/a	n/a

CORPORATE GOVERNANCE REPORT (CONTINUED)

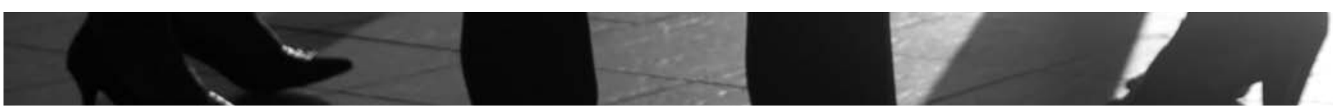
Board Sub-Committees

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 a full disclosure from these sub-committees to the Board, and their minutes are submitted to the Board for noting. In addition, all authorities delegated by the Board are reviewed and updated annually by the Board.

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



MR GERRIT VAN HEERDE

COMMITTEE CHARTER ✓
ALL MEETINGS HELD ✓
ATTENDANCE RECORD 100%

MEMBERS:
MR GERRIT VAN HEERDE (CHAIRMAN)
MR JOHN HINCHLIFFE
MR CHANDRA CHAUHAN
MS LIZELLE NEL

COMPOSITION:
Two Non-Executive Directors and two Independent Non-Executive Directors.

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. 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.

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 Bifm 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 ✓

MEMBERS:
MR ANDRE ROUX (CHAIRMAN)
MR MAHUBE MPUGWA
MR GERRIT VAN HEERDE

COMPOSITION:
One Independent Non-Executive Director and two Non-Executive Director.

MR ANDRE ROUX

MRS BATSHO DAMBE-GROTH

COMMITTEE CHARTER ✓
ALL MEETINGS HELD ✓
ATTENDANCE RECORD 90%

MEMBERS:
MRS BATSHO DAMBE-GROTH (ACTING CHAIRMAN)
MR GERRIT VAN HEERDE
MR HEINIE WERTH.

COMPOSITION:
One Independent Non-Executive Director and two Non-Executive Directors.

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 at least once a quarter.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMMITTEE CHARTER

MEMBERS:
MR JOHN HINCHLIFFE (CHAIRMAN);
MR CHANDRA CHAUHAN;

COMPOSITION:
Two Independent Non-Executive Directors

MR JOHN HINCHLIFFE

INDEPENDENT REVIEW COMMITTEE

In order to enhance the governance structures within BIHL and any other matters reffered 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.

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

MEMBERS:
MR CHANDRA CHAUHAN (CHAIRMAN)
MRS BATSHO DAMBE-GROTH;
MR HEINIE WERTH.

COMPOSITION:
Two Independent Non-Executive Director and one Non-Executive Director.

MR CHANDRA CHAUHAN

SPECIAL BOARD COMMITTEES

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

REMUNERATION 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 with regard to 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 travelling 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 Chairman of the Board is absent and shall act as a liaison between Chair of the Board and 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	Other Committees	Total
B Dambe-Groth	85,000	68,625	n/a	44,325	40,031	n/a	237,981
C Chauhan	65,000	77,000	67,650	n/a	86,063	n/a	295,713
J Hinchliffe	65,000	71,750	67,650	n/a	138,375	n/a	342,775
M Mpugwa	65,000	71,750	n/a	n/a	53,812	110,700	301,262
M Seboni	65,000	-	n/a	16,500	n/a	n/a	81,500
LT General T Masire	-	36,750	n/a	n/a	n/a	n/a	36,750
**A Roux	65,000	71,750	n/a	n/a	66,937	129,300	332,987
**H Werth	65,000	71,750	n/a	41,850	53,813	n/a	232,413
**G van Heerde	65,000	71,750	77,900	55,350	66,937	n/a	336,937

** 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.

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.

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.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

The report of the statutory actuary is set out on page 56.

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 were made to financial analysts on 03 March 2015 during this financial year. 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/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.

A detailed Risk Management Report is included on page 116 of the annual report.

EMPLOYMENT EQUITY AND LOCALISATION

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

FINANCIAL REPORTING

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

INTERNAL AUDIT

BIHL's internal audit function is 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 Mrs. Rorisang Modikana, 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 is 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.

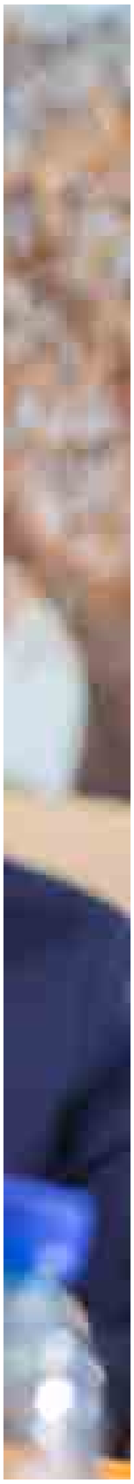
Our North Star towards Best Practice in Corporate Governance remains the King III standards. What the King Reports have done for businesses across the planet is provide a suggested approach to achieve maximum transparency. In light of transgressions of major organisations in years past the world is abundantly 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 109-115). 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.



Current level of compliance: Full Partial None

Summary of King III principles	Status	2013	2014	2015	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.					
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.					
1.3. The Board should ensure that the company ethics are managed effectively.	The Board has endorsed the Directors Code of Ethics.					
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.					
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					
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.					
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.					
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.					
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.					
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.					
2.8. The Board should be responsible for Information Technology (IT) governance.	The IT Governance Charter is in place.					
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.					

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	2015	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.	Full	Full	Full		
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.	Full	Full	Full	.	
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.	Full	Full	Full		
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.	Full	Full	Full		
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.	Full	Full	Full		
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.	Full	Full	Full		
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.	Full	Full	Full		

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	2015	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					

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full Partial None

Summary of King III principles	Status	2013	2014	2015	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.					
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.					
3.3. The Audit Committee should be chaired by an Independent Non-Executive Director.	Currently the Committee is chaired by a Non-Executive Director.				Once a suitable candidate has been identified, an independent Chairman will be appointed.	2016
3.4. The Audit Committee should oversee integrated reporting.	The Annual Report is fully compliant with the key principles of integrated reporting.					
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.					
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.					
3.7. The Audit Committee should be responsible for overseeing of Internal Audit.	Internal Audit reports into the Audit and Risk Committee.					
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.					
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.					
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.					

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	2015	Action plans for remaining issues	Due dates
CHAPTER 4 - THE GOVERNANCE OF RISK						
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 is reviewed annually.					
4.2. The Board should determine the levels of risk tolerance.	Group risk appetites and thresholds are reviewed and approved annually.					
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.					
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.					
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.					
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.					
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.					
4.8. The Board should ensure continuous risk monitoring by management.	The Board reviews the management action on the quarterly Risk Report					
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.					
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.					

KING III REPORT CHECKLIST (CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

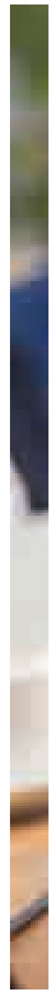
Summary of King III principles	Status	2013	2014	2015	Action plans for remaining issues	Due dates
CHAPTER 5 - THE GOVERNANCE OF INFORMATION TECHNOLOGY						
5.1. The Board should be responsible for Information Technology (IT) Governance.	The BIHL IT Governance Charter. This sets out Boards responsibilities 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.					

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	2015	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 where key risks are well mitigated.



Our robust balance sheet and sound financial strategy enable an environment that is conducive to meet our clients' expectations. We are indeed more aware than most of the need for sound Risk Management and we continually identify and analyse risks to our own business in our endeavours 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, which we have made significant strides in. The Group's risk policy guidelines set the framework for meeting 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 and 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. Reporting and transparency 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 them that significant risk areas have been identified and suitable controls are in place.

Three Lines of Defence Governance Model

First Line of Defence (Management)	Second Line of Defence (Internal Assurance Providers)	Third Line of Defence (External Assurance Providers)
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	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	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

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 embedding the Compliance Framework as a standard business feature.

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

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

On 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.

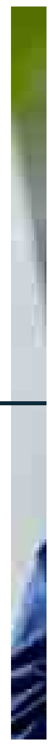
RISK MANAGEMENT (CONTINUED)

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

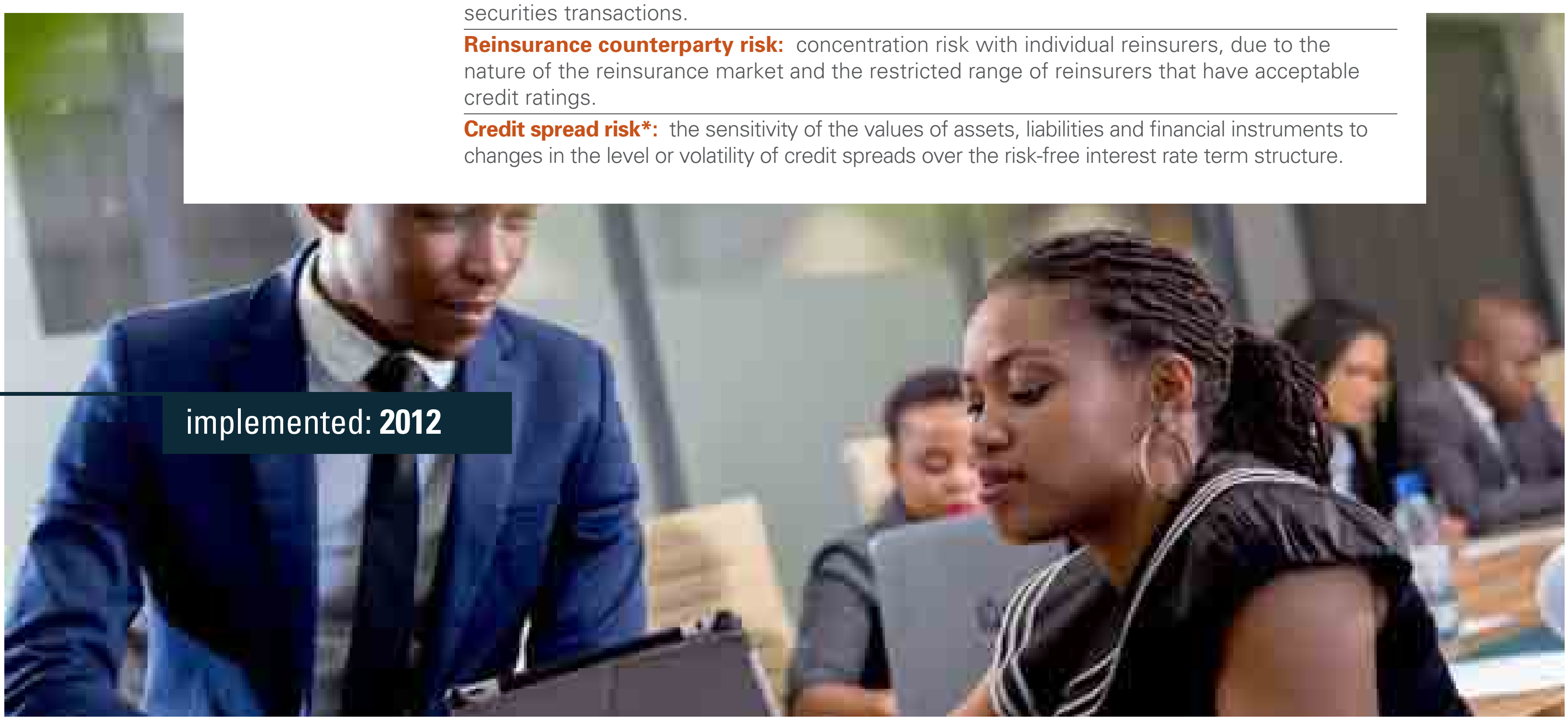
HIGHER RISK:

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 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.



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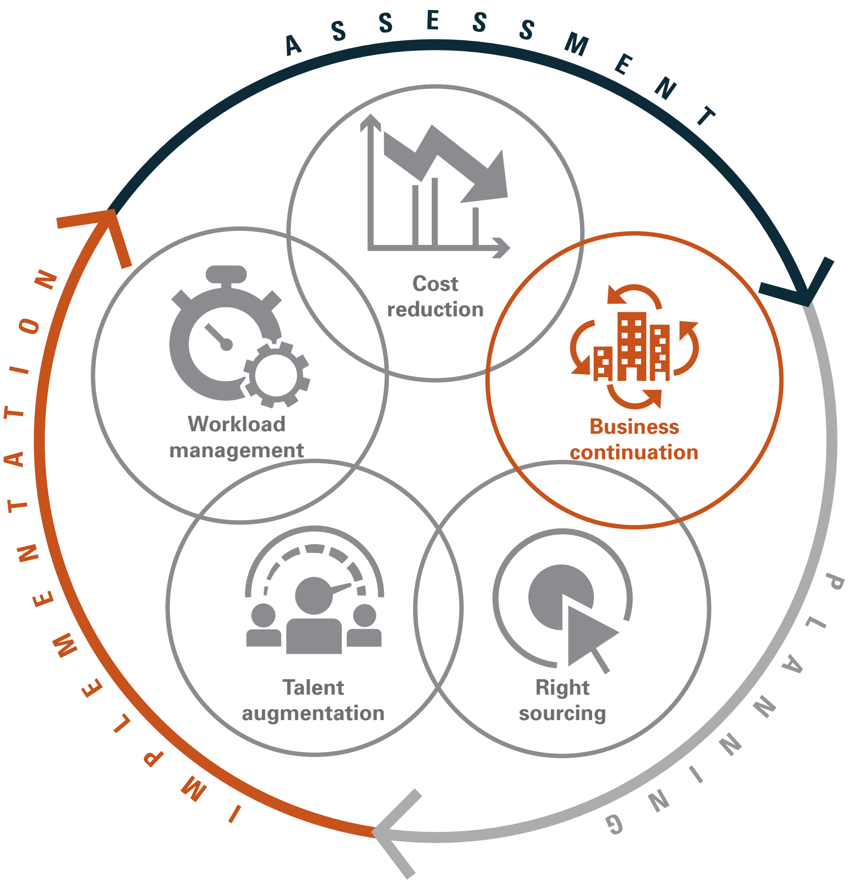
RISK MANAGEMENT (CONTINUED)

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).

BUSINESS CONTINUITY MANAGEMENT



Business Continuity Management plans have been put in place to ensure that the business is resilient.

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.

ANNUAL FINANCIAL STATEMENTS

5

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

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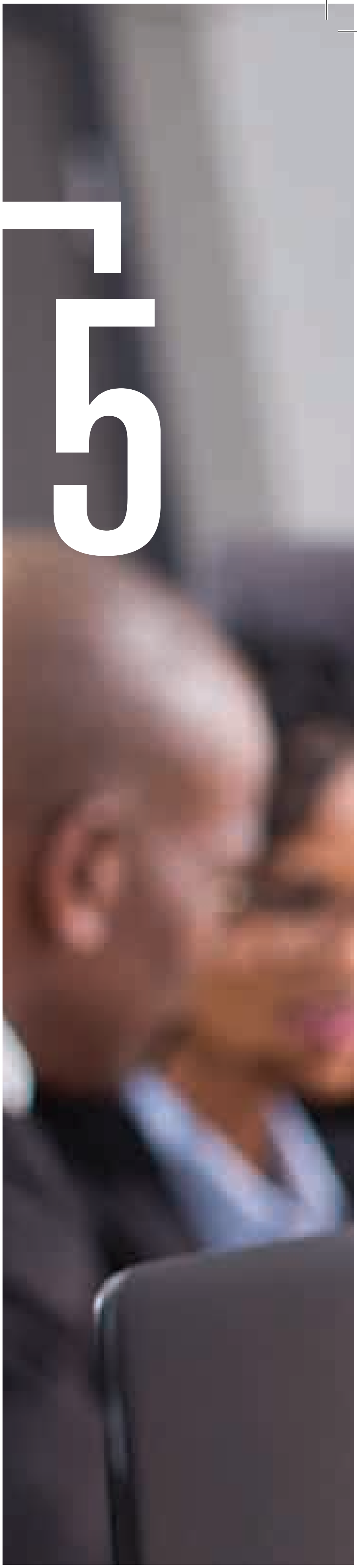

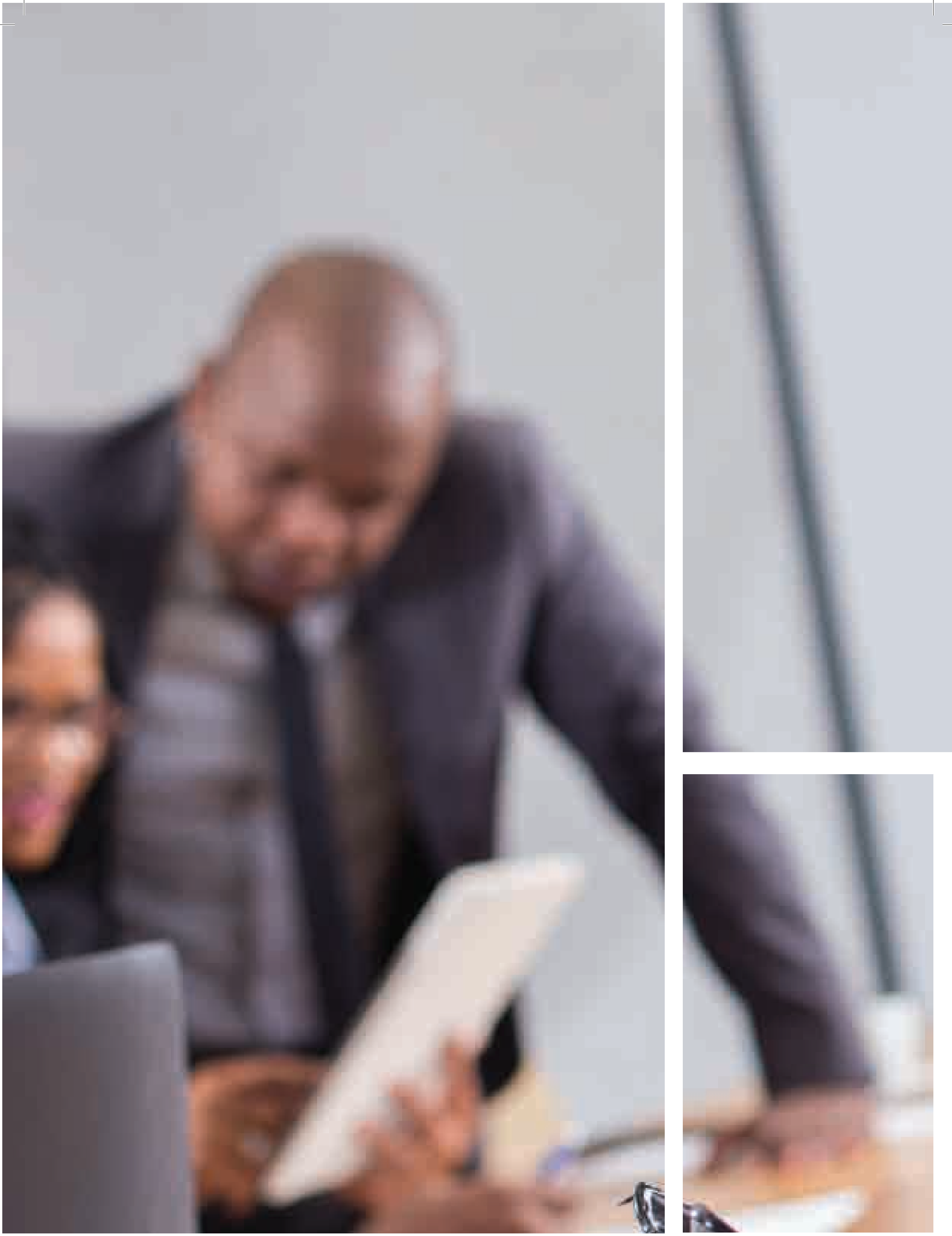

DIRECTORS' REPORT

for the year ended 31 December 2015

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 2015.

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 short-term insurance 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 2015 of P598 million (31 December 2014: P506 million). Shareholders' equity at 31 December 2015 was P2.923 billion (31 December 2014: P2.686 billion). The results are fully explained in the financial statements.

Stated Capital

The issued and fully paid share capital at 31 December 2015 and 2014 consists of 281,070,652 ordinary shares.

Dividends

A gross interim dividend of 55 thebe (2014: 42 thebe) per share was declared during the year. The directors propose a final dividend of 67 thebe (2014: 45 thebe) per share; making the total dividend for the year 122 thebe per share (31 December 2014: 87 thebe per share).

Directors' Shareholdings

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company is 331,110 (31 December 2014: 188,798). 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 27 to the financial statements for the disclosures on events subsequent to the reporting date.

Directorate

B. Dambe-Groth	Chairman
C. Chauhan	
R. Dommisse	Resigned 30 June 2015
G. van Heerde	Appointed 30 June 2015
J. Hinchliffe	
M. Mpugwa	
Lieutenant General T. Masire	Appointed 21 August 2015
A. Roux	
M. Seboni	Resigned 30 June 2015
H. Werth	
G. Hassam	Group Chief Executive Officer

Company Secretary and Registered Address

R. Modikana
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 and the Companies Act of Botswana (Companies Act, 2003).

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 01 March 2016 and were signed on their behalf by:

B Dambe-Groth
Chairman

G Hassam
Group Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

for the year ended 31 December 2015

To the members of Botswana Insurance Holdings Limited

Report on the Financial Statements

We have audited the accompanying Group and Company annual financial statements of Botswana Insurance Holdings Limited, which comprise the statement of financial position as at 31 December 2015, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 133 to 213.

Directors' Responsibility for the Financial Statements

The Group and Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and the Botswana Insurance Industry Act (Cap:46:01) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Insurance Holdings Limited, Group and Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and the Botswana Insurance Industry Act (Cap: 46:01).

Ernst & Young

Practicing Member: Thomas Chitambo
Certified Auditor
Membership number: 20030022

02 March 2016

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

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
ASSETS					
Property and equipment	2	155,504	20,138	8,544	6,196
Intangible assets	3	122,708	122,410	3,357	5,130
Investment property	4.4	110,073	106,365	-	-
Investments in associates and joint ventures	4.5	1,741,680	1,647,451	142,499	-
Long-term reinsurance assets	8.6	3,042	3,728	-	-
Financial assets at fair value through profit or loss		10,931,578	12,094,905	-	-
Bonds (Government, public authority, listed and unlisted corporates)	4.1	6,362,935	5,427,365	-	-
Investment in Property Funds and companies	4.4	156,557	121,493	-	-
Equity investments (Local and foreign)	4.2	3,911,528	6,013,539	-	-
Policy loans and other loan advances	4.3	408,432	421,517	-	-
Money market instruments	4.1	92,126	110,991	-	-
Interest in subsidiaries	4.5	-	-	284,301	259,564
Deferred tax asset	10	41	495	-	-
Insurance and other receivables	5	219,894	199,529	21,650	2,998
Tax refund due	10	1,070	1,500	276	1,393
Related party balances	19	-	-	149,233	16,450
Cash, deposits and similar securities	23	1,055,086	658,468	47,860	23,258
Total assets		14,340,676	14,854,989	657,720	314,989
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	484,681	547,772	21,222	17,858
Retained earnings		2,307,103	2,007,474	467,085	139,339
Total equity attributable to equity holders of parent		2,922,605	2,686,067	619,128	288,018
Non- controlling interests	9	18,474	18,569	-	-
Total equity		2,941,079	2,704,636	619,128	288,018
Liabilities					
Policyholder liabilities under:	8	10,933,114	11,641,698	-	-
Insurance contracts		8,555,332	7,354,668	-	-
Investment contracts		2,377,782	4,287,030	-	-
Deferred tax liability	10	18,360	33,209	-	-
Insurance and other payables	11	431,032	450,056	27,788	25,983
Short term insurance contract liabilities	11.1	5,815	6,983	-	-
Tax payable		9,136	18,403	-	-
Related party balances	19	2,140	4	10,804	988
Total equity and liabilities		14,340,676	14,854,989	657,720	314,989

GROUP CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

	Note	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Continuing operations					
Revenue					
Net insurance premium income	12	2,487,265	1,986,683	-	-
Gross insurance premium income		2,506,280	2,009,002	-	-
Insurance premium ceded to reinsurers		(19,015)	(22,319)	-	-
Other investment income		1,868,060	906,593	653,093	424,672
Fee revenue		88,447	110,915	-	-
Investment income	13	684,327	972,569	653,093	424,672
Net fair value loss on sale of subsidiary	4.6	-	(15,878)	-	-
Net gains from financial assets held at fair value through profit or loss	13.1	1,095,286	(161,013)	-	-
Total income		4,355,325	2,893,276	653,093	424,672
Net insurance and investment contract benefits and claims		(3,173,297)	(1,944,801)	-	-
Gross insurance benefits and claims	14	(1,307,020)	(1,202,382)	-	-
Reinsurance claims	14	9,736	9,988	-	-
Change in liabilities under investment contracts	8.6	(674,663)	(205,052)	-	-
Change in policyholder liabilities under insurance contracts	8.7	(1,200,664)	(544,959)	-	-
Change in contract liabilities ceded to reinsurers	8.7	(686)	(2,396)	-	-
Expenses		(647,127)	(575,135)	(31,090)	(86,576)
Sales remuneration		(323,517)	(258,899)	-	-
Administration expenses	15	(323,610)	(316,236)	(31,090)	(86,576)
Profit before share of profit of associates and joint venture		534,901	373,340	622,003	338,096
Share of profit of associates and joint venture	4.5	186,728	253,618	-	-
Profit before tax from continuing operations		721,629	626,958	622,003	338,096
Tax expense	16	(123,945)	(107,495)	(34,267)	(16,946)
Profit for the year from continuing operations		597,684	519,463	587,736	321,150
Discontinued operations					
Loss after tax for the year from discontinued operations	4.7	-	(14,750)	-	-
Profit on sale of short-term insurance business	4.7	-	932	-	-
Loss for the year on discontinued operations		-	(13,818)	-	-
Profit for the year		597,684	505,645	587,736	321,150
Profit attributable to:					
- Equity holders of the parent from continuing operations		595,057	513,355	587,736	321,150
- Equity holders of the parent from discontinued operations		-	(13,818)	-	-
- Non-controlling interests from continuing operations		2,627	6,108	-	-
		597,684	505,645	587,736	321,150
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
- basic	17	218	183		
- diluted	17	215	181		
Earnings per share (thebe) for continuing operations					
- Basic		218	188		
- Diluted		215	186		

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Note	P'000	P'000	P'000	P'000
Profit for the year		597,684	505,645	587,736	321,150
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		(50,831)	(3,195)	-	-
Total comprehensive income for the year		546,853	502,450	587,736	321,150
Total comprehensive income attributable to:					
- Equity holders of the parent		544,226	510,160	587,736	321,150
- Equity holders of the parent from discontinuing operations		-	(13,818)	-	-
- Non-controlling interests		2,627	6,108	-	-
		546,853	502,450	587,736	321,150

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	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 2014	130,821	(77,041)	83,048	733,883
Total comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Foreign currency translation	-	-	-	-
Share based payment expense	-	-	10,415	-
(Transfer to statutory reserves)/transfer from retained income	-	-	-	(203,609)
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	(10)	-	-
Dividends paid	-	-	-	-
Share Trust vested treasury shares	-	2,191	-	-
Loss of control of subsidiary	-	-	-	-
Balance at 31 December 2014	**130,821**	**(74,860)**	**93,463**	**530,274**
Total comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Foreign currency translation	-	-	-	-
Share based payment expense (Note 21)	-	-	11,892	-
(Transfer to statutory reserve)/ 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	**130,821**	**(65,917)**	**105,355**	**532,974**
COMPANY				
Balance at 1 January 2014	130,821	-	5,377	9,762
Profit for the year	-	-	-	-
Share based payment expense	-	-	2,719	-
Dividends paid	-	-	-	-
Balance at 31 December 2014	**130,821**	**-**	**8,096**	**9,762**
Profit for the year	-	-	-	-
Share based payment expense	-	-	3,364	-
Dividends paid	-	-	-	-
Balance at 31 December 2015	**130,821**	**-**	**11,460**	**9,762**

* 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.

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	67,322	(62,464)	745,694	1,528,886	2,405,401	34,912	2,440,313
-	(596)	-	(596)	499,537	498,941	3,509	502,450
-	-	-	-	499,537	499,537	6,108	505,645
-	(596)	-	(596)	-	(596)	(2,599)	(3,195)
-	-	-	10,415	-	10,415	-	10,415
-	-	-	(203,609)	203,609	-	-	-
-	-	(6,186)	(6,186)	6,186	-	-	-
-	-	(127)	(137)	-	(137)	-	(137)
-	-	-	-	(216,425)	(216,425)	(1,983)	(218,408)
-	-	-	2,191	(14,319)	(12,128)	-	(12,128)
-	-	-	-	-	-	(17,869)	(17,869)
946	66,726	(68,777)	547,772	2,007,474	2,686,067	18,569	2,704,636
-	(50,831)	-	(50,831)	595,057	544,226	2,627	546,853
-	-	-	-	595,057	595,057	2,627	597,684
-	(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	2,307,103	2,922,605	18,474	2,941,079
-	-	-	15,139	18,382	164,342	-	164,342
-	-	-	-	321,150	321,150	-	321,150
-	-	-	2,719	-	2,719	-	2,719
-	-	-	-	(200,193)	(200,193)	-	(200,193)
-	-	-	17,858	139,339	288,018	-	288,018
-	-	-	-	587,736	587,736	-	587,736
-	-	-	3,364	-	3,364	-	3,364
-	-	-	-	(259,990)	(259,990)	-	(259,990)
-	-	-	21,222	467,085	619,128	-	619,128

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Note	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Net cashflows from operating activities		(1,550,628)	643,019	197,527	24,510
Cash (utilised in)/generated from operations	22	(1,435,636)	290,693	5,139	(168,367)
Interest received		121,144	428,116	1,372	89
Dividend received from equity investments		102,123	118,669	-	-
Dividends received from subsidiaries		-	-	484,156	408,351
Dividends received from associates		85,321	59,738	-	-
Tax paid	16.1	(139,788)	(54,004)	(33,150)	(15,370)
Dividends paid		(283,792)	(200,193)	(259,990)	(200,193)
Net cashflows from/(utilised in) investing activities		1,947,244	(565,225)	(172,925)	(7,154)
Purchase of property and equipment	2	(143,904)	(6,052)	(4,757)	(1,204)
Purchase of computer software	3	(9,482)	(5,524)	(931)	(2,187)
Increase in investment in subsidiary	4.5	-	-	(24,738)	(3,763)
Sale of investment properties	4.4	-	45,880	-	-
Disposal of short-term insurance business	4.7	-	(4,717)	-	-
Disposal of subsidiary, net of cash disposed	4.6	-	4,853	-	-
Investment in associate	4.5	(147,544)	-	(142,499)	-
Net cash flows from investing activities		2,248,174	(599,665)	-	-
Net increase in cash and cash equivalents		396,618	77,794	24,602	17,356
Cash and cash equivalents at the beginning of the year		658,468	580,674	23,258	5,902
Cash and cash equivalents at the end of the year	23	1,055,086	658,468	47,860	23,258

The money market instruments on the face of the SOFP amounting to P92 million (2014: P110 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

1. GENERAL INFORMATION

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

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

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

2. 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 (Companies Act 2003), 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 venture.

The consolidated financial statements are presented in Pula (P'000), which is the Group and Company's functional currency and 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 137. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

3. CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

Improvements to International Financial Reporting Standards – 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued six amendments to seven standards, summaries of which are provided below.

The amendments are applicable to annual periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed. The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IFRS 3 - Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment did not have a material impact on the Group.

IFRS 13 - Fair Value Measurement

Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation

The amendment did not have a material impact on the Group as the Group does not apply the portfolio exception.

IAS 40 - Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

The amendment will not have an impact on the Other Comprehensive Income and Statement of Financial Position of the Group if such transactions occur in future.

Standards issued but not yet effective

Standard issued but not yet 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.

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements 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 other comprehensive income.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2015

3. CHANGES IN ACCOUNTING POLICIES (continued)

The Group is still assessing the impact of the amendments on the financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2016.

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

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements however there will be an impact on the separate accounts of Botswana Life which carry their investments in associates under the equity method in their separate annual financial statements. Botswana Life early adopted the amendment for the financial period ended 31 December 2014.

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

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 Business Combinations, 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 amendment will have an impact on the Other Comprehensive Income and Statement of Financial Position of the Group if such transactions occur in future.

The amendments are effective for annual periods beginning on or after 1 January 2016.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 - Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11, and
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The Group currently has no joint arrangements that are determined to be joint operations and therefore this amendment to IFRS 11 should not have a material impact on the Group. The effective date of this amendment to IFRS 11 is 1 January 2016.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.
The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The Group is assessing the impact on its consolidated financial statements resulting from the application of IFRS 15. The effective date of IFRS 15 is 1 January 2018.

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

Changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or distribution to 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. The amendment must be applied prospectively.

The amendment will have an impact on the Statement of Comprehensive Income and Statement of Financial Position of the Group if such transactions occur in future.

IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report'
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.

– The amendment must be applied retrospectively.
– The amendment will only impact the disclosure to the Group.

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)

for the year ended 31 December 2015

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. There are several sources of uncertainty that 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 2015 was P8,555 million (31 December 2014: P7, 355 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 P463 million (2014: P496 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 2014: P1, 8 million).

(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 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 either based 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 P8,555 million (31 December 2014: P7,355 million) - refer to the actuary's report 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 P40.2 million (2014: P43.1 million)

Refer to statutory actuary report for assumptions on the actuarial valuation of the liability.

Provision for future bonuses

Future bonuses of 3% (2014: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business

The business is valued on a prospective basis assuming 3% (2014: 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 P46.6 million (2014: P49.5 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 P64.1 million (2014: P53.7 million) of which P13.8 million (2014: P9.0 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 P5.6 billion (2014: P4.8 billion). Refer to statutory actuary report.

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 is P331.2 million, (2014: P374.8 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2015

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

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 of time 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 4,5 million (2014: P3,9 million). Refer to note 11.3.

(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 2015 or 31 December 2014 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 structured through a separate vehicle (Khumo Property Asset Management (Pty) Ltd) only give it rights to the net assets and is therefore classified as a joint venture.

(xii) Significant influence

Significant influence is presumed to exist when an entity holds 20% or more of the voting rights of another entity, unless it can be clearly demonstrated otherwise. The Group holds between 20% and 50% in the various associates as per note 4.5 over which the Group has determined that it holds significant influence.

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 reassurance 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. 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 an expense 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2015

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

g) Reinsurance recoveries

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 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 2015. 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.

(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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

The year end of the joint venture company is 31 October. Adjustments are made for any significant transactions or events in the intervening period.

(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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2015

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 either of 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).

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.

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 are held for trading:

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

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 selling 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 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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 has also invested in an associated company in Malawi whose functional currency is the Malawian Kwacha. As at the reporting date, the assets and liabilities of the associate and subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the income statement is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the profit or loss with disposal of the subsidiary.

Property and equipment

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.

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Business combinations and goodwill

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 to be 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.

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.

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, 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:

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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, provided that 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.

Contingent liabilities and assets
Possible obligations of the Group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and present obligations of the Group arising from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group consolidated statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Non-distributable reserves
Non-distributable reserves include the 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 the purpose of 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:

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 as a result 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 2015 and 31 December 2014 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 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.

Fees charged and investment income received is recognised in the income statement when earned.

Fair value adjustments are performed at each reporting date and are recognised in the income statement. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and liabilities used to determine the unit-prices at the reporting date are valued on the bases as set out in the accounting policy for investments. It was not considered necessary to exclude intangible assets, which are inadmissible assets for prudential regulatory purposes, from the value of the assets for the purposes of the financial statements.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

Investment contracts expose the investor to financial risks.

Capital and Risk Management

The business is exposed to various risks in connection with its current operating activities. These risks contribute to the key financial risk that the proceeds from the business's financial assets are not sufficient to fund the obligations arising from insurance and investment policy contracts and the operating activities conducted by the business. The business has an integrated approach towards the management of its capital base and risk exposures with the main objective being to achieve a sustainable return on embedded value at least equal to the business' cost of capital.

The business is exposed to various risks that have a direct impact on the business's capital base and earnings, and as such return on embedded value. The management of these risks is therefore an integral part of the business' strategy to maximise return on embedded value. The business' risk exposures can be classified into the following broad categories:

- Financial risks affecting the net asset value of the shareholders' fund (Note 24);
- General operational risks; and
- Long-term insurance risks;

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to 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 2015 and 31 December 2014

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.

	2015 P'000	2014 P'000
Shareholder's equity	2,922,604	2,686,067
Prescribed Capital Target (Life business only)	164 468	137,085
Ratio of Excess Assets to Prescribed Capital Target (Life business only)	17.77	19.60

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group. Refer to the Corporate Governance Report on page 96 for further information on the responsibilities of the BIHL Board and its committees.

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.

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

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)

for the year ended 31 December 2015

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 on the basis of 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 chairman of the Audit and Risk Committee and has unrestricted access to the chairman of the Committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young. The report of the independent auditors for the year under review is contained on page 126 of this annual report. 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 functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:
Rules for clients' investment instructions are loaded on an order management system, which produces post trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken, depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the Head of Investment Operations on a monthly basis.

Fraud risk
The BIHL group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group' code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the BIHL group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The Chief Executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Board of BIHL. Quarterly reports are submitted by Group Forensic Services to the BIHL Audit and Risk Committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Legal risk
Legal risk is the risk that the business will be exposed to contractual obligations that have not been provided for, particularly in respect of policy liabilities. The risk also arises from the uncertainty of the enforceability, through legal or judicial processes, of the obligations of Group's counter-parties, including contractual provisions intended to reduce credit exposure by providing for the netting of mutual obligations.

During the development stage of any new product and for material transactions entered into by the business, the legal resources of the business monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. The Group seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Lapse risk
Distribution models are used by the business to identify high risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse rates. The design of insurance products excludes material surrender value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Lapse experience is monitored to ensure that negative experience is identified on a timely basis and corrective action taken. The business reserving policy is based on actual experience to ensure that adequate provision is made for lapses.

Legislation risk
The risk is managed as far as possible through clear contracting. The business monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Taxation risk
The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after tax returns, where applicable. The business's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to influence changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Reputation risk
Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk Committee and Board of Directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

Strategy risk
The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual special strategic session of the BIHL Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the BIHL Board, who ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The BIHL Board, which includes the chief executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Long term insurance risk
The Investment Committee and Actuarial Committee are established within the long-term insurance businesses.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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's 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:

	2015 P'000	2014 P'000
The mean duration of non-participating annuity liabilities is:	9.33 years	8.95 years
The mean duration for the supporting assets is:	8.27 years	7.92 years

The loss from a 1% parallel rise in interest rates is approximately P54.4 million (2014: P20.9 million)

iv) The table below indicates the impact of changes in assumptions

Policy liabilities in respect of Insurance contracts

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)
2015						
Individual Life Business	2,247,028	2,256,433	2,264,387	2,255,303	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
2014						
Individual Life Business	2,120,756	2,129,633	2,137,140	2,128,567	2,126,894	2,125,136
Annuity Business	4,855,386	4,851,154	4,859,652	4,861,093	4,855,386	4,892,875
Group Life Business	374,790	374,790	375,914	374,959	374,790	362,609
Total	7,350,932	7,355,577	7,372,706	7,364,619	7,357,070	7,380,620

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

	EFFECT ON VIF AFTER TAX 2015 P'mil	EFFECT ON VIF AFTER TAX 2014 P'mil
Sensitivity		
Base Assumption	1,289	1,137
Increase risk discount rate by 1,0%	1,230	1,086
Decrease risk discount rate by 1,0%	1,345	1,194
Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rate and with bonus rates changing commensurately	1,348	1,190
Maintenance unit expenses (excluding investment expenses) decrease by 10%	1,305	1,151
Discontinuance rates decrease by 10%	1,339	1,182
Mortality and morbidity decreased by 5% for assurances, coupled with a 5% decrease in mortality for annuities	1,341	1,183
Equity and property assets fall by 10%	1,284	1,133

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 12.95 times (31 December 2014: 15.44 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 December 2015

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

			Before reinsurance		After reinsurance	
	2015 Number of lives	2014 Number of lives	2015 Pula P'000	2014 Pula P'000	2015 Pula P'000	2014 Pula P'000
0 - 500	663,875	660,194	7,855,832	7,976,593	7,643,613	7,779,009
500 - 1 000	1,131	1,025	733,405	673,917	114,300	103,700
1 000 - 5 000	1,784	1,641	2,450,034	2,329,241	178,400	164,100
5 000 - 8 000	14	13	75,598	71,414	1,400	1,300
>8 000	5	6	52,194	60,209	500	600
	666,809	662,879	11,167,063	11,111,374	7,938,213	8,048,709

Non-participating annuity payable per annum per life insured

P'000	2015 Number of lives	2014 Number of lives	2015 Pula P'000	2014 Pula P'000
0-20	2,515	2,331	26,055	23,493
20-40	1,625	1,424	48,318	42,167
40-60	1,229	1,073	61,589	53,968
60-80	953	811	67,125	57,054
80-100	720	628	68,321	59,636
>100	1,180	991	168,020	142,152

Annuity business is not reinsured

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:

The life insurance segment which provides life insurance services to its customers through Botswana Life Insurance Limited, a subsidiary of the Group.

The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited, a subsidiary of the Group.

The general insurance segment which provides legal insurance to its customers through BIHL Insurance Company Limited (Legal Guard), 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 2015 and 2014 between business segments are set on an arm's length basis in a manner similar to transaction with third parties. Segmental income, segment expense and segment results will then include those transfers between business segments, which will then be eliminated on consolidation.

Business segments
At 31 December 2015, 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 and Asset Management Services and Legal Insurance.In the prior year part of the General insurance business was disposed.

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 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

1. SEGMENTAL ANALYSIS (continued)

	LIFE BUSINESS		ASSET MANAGEMENT		GENERAL INSURANCE	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000	2015 P'000	2014 P'000
1.1 Segment information by products and services						
Segment information by products and services						
Premium revenue	2,442,587	1,948,073	-	-	44,678	38,610
Fee revenue						
- Internal	-	-	4,983	5,548	-	-
- External	-	-	100,148	107,062	158	697
Investment income	569,508	452,176	195,880	535,799	719	769
- Interest income	432,799	436,026	86,924	401,063	719	769
- Dividend income	121,007	41,189	95,476	113,480	-	-
- Other	15,702	(25,039)	13,480	21,256	-	-
Fair value losses on sale of subsidiary	-	-	-	(15,878)	-	-
Fair value gains and losses	564,312	150,298	528,037	(311,311)	-	-
Total net income	3,576,407	2,550,547	829,048	321,220	45,555	40,076
Profit(loss) for the year before tax	567,910	400,374	97,705	115,381	3,223	(12,073)
Depreciation	5,363	3,658	176	548	431	551
Amortisation	6,459	5,668	-	-	26	23
Impairment of goodwill	-	-	-	-	-	-
Share-based expense	-	38	-	-	3,364	2,719
Income tax expense	94,546	84,000	14,331	23,660	390	(878)
Selling expenses	320,569	257,735	-	-	2,948	1,164
Net Insurance benefits and claims	1,283,488	1,173,806	-	-	13,796	18,589
Change in policyholder liabilities under life insurance contracts	1,201,350	547,354	-	-	-	-
Change in liabilities under investment contracts	-	-	674,663	205,052	-	-
Movement in short term insurance liabilities	-	-	-	-	-	-
Total Assets	10,537,902	9,318,427	6,338,078	8,084,328	30,575	30,374
Total Liabilities	9,105,932	7,773,619	5,791,780	7,591,789	15,674	28,304
Capital expenditure	146,774	7,156	525	459	399	531
Profit on sale of short-term insurance division	-	-	-	-	-	932
Associates and joint venture						
Share of profit of associates	-	-	-	-	-	-
Investment in associates	1,339,211	1,250,331	272,375	337,169	-	-

	ASSOCIATES 2015 P'000	ASSOCIATES 2014 P'000	OTHER 2015 P'000	OTHER 2014 P'000	INTER-SEGMENTAL 2015 P'000	INTER-SEGMENTAL 2014 P'000	CONSOLIDATED TOTAL 2015 P'000	CONSOLIDATED TOTAL 2014 P'000
	-	-	-	-	-	-	2,487,265	1,986,683
	-	-	-	-	(4,983)	(5,548)	-	-
	-	-	5,624	3,156	(17,483)	-	88,447	110,915
	-	-	653,329	462,598	(735,109)	(478,773)	684,327	972,569
	-	-	236	37,926	4,983	5,548	525,661	881,332
	-	-	653,093	424,672	(740,583)	(484,321)	128,993	95,020
	-	-	-	-	491	-	29,673	(3,783)
	-	-	-	-	-	-	-	(15,878)
	-	-	-	-	2,937	-	1,095,286	(161,013)
	-	-	658,953	465,754	(754,638)	(484,321)	4,355,325	2,893,276
	-	-	617,722	370,767	(564,931)	(247,492)	721,630	626,958
	-	-	2,220	1,992	-	-	8,190	6,749
	-	-	2,668	1,986	-	-	9,153	7,678
	-	-	-	20,160	-	-	-	20,160
	-	-	-	-	8,526	7,657	11,891	10,415
	-	-	34,267	16,946	(19,589)	(16,232)	123,944	107,495
	-	-	-	-	-	-	323,517	258,899
	-	-	-	-	-	-	1,297,284	1,192,395
	-	-	-	-	-	-	1,201,350	547,354
	-	-	-	-	-	-	674,663	205,052
	-	-	-	-	-	-	-	-
	-	-	2,768,691	2,328,822	(5,334,570)	(4,906,962)	14,340,676	14,854,989
	-	-	1,519,630	1,499,690	(5,033,417)	(4,743,048)	11,399,599	12,150,353
	-	-	5,688	3,430	-	-	153,386	11,576
	-	-	-	-	-	-	-	932
	-	-						
	186,728	253,617	-	-	-	-	186,728	253,618
	-	-	130,095	59,423	-	-	1,741,680	1,647,451

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

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
2015						
Cost						
At 1 January 2015	-	32,163	22,194	7,022	19,888	81,267
Additions	135,042	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)	(332)
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	133,331	9,958	4,919	1,247	6,049	155,504
2014						
Cost						
At 1 January 2014		30,708	21,434	6,237	17,253	75,632
Additions		1,861	771	785	2,635	6,052
Disposals		(406)	(11)	-	-	(417)
At 31 December 2014		32,163	22,194	7,022	19,888	81,267
Accumulated depreciation						
At 1 January 2014		18,731	15,879	5,314	14,881	54,805
Current year charge		3,463	1,224	68	1,994	6,749
Disposals		(402)	(23)	-	-	(425)
At 31 December 2014		21,792	17,080	5,382	16,875	61,129
Carrying amount						
At 1 January 2014		11,977	5,555	923	2,372	20,827
At 31 December 2014		10,371	5,114	1,640	3,013	20,138

COMPANY	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
2015					
Cost					
At 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
Disposal	(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
2014					
Cost					
At January 2014	5,300	1,655	179	758	7,892
Additions	1,149	18	-	37	1,204
Disposals	-	-	-	-	-
At 31 December 2014	6,449	1,673	179	795	9,096
Accumulated depreciation					
At 1 January 2014	442	441	68	63	1,014
Current year charge	1,520	250	36	80	1,886
At 31 December 2014	1,962	691	104	143	2,900
Carrying amount					
At 1 January 2014	4,858	1,214	111	695	6,878
At 31 December 2014	4,487	982	75	652	6,196

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

3. INTANGIBLE ASSETS

GROUP	Goodwill P'000	Computer software P'000	Total P'000
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

GROUP	Goodwill P'000	Computer software P'000	Total P'000
2014			
Cost			
At 1 January 2014	114,923	66,595	181,518
Additions	-	5,524	5,524
Disposals	-	-	-
At 31 December 2014	114,923	72,119	187,042
Accumulated amortisation and impairment			
At 1 January 2014	-	30,620	30,620
Current year amortisation	-	7,678	7,678
Impairment	20,160	6,174	26,334
At 31 December 2014	20,160	44,472	64,632
Carrying amount			
At 1 January 2014	114,923	35,975	150,898
At 31 December 2014	94,763	27,647	122,410

COMPANY	Goodwill P'000	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	-	7,467	7,467
Carrying amount			
At 1 January 2015	-	5,130	5,130
At 31 December 2015	-	3,357	3,357

COMPANY	Goodwill P'000	Computer software P'000	Total P'000
2014			
Cost			
At 1 January 2014	-	7,761	7,761
Additions	-	2,187	2,187
Disposals	-	-	-
At 31 December 2014	-	9,948	9,948
Accumulated amortisation and impairment			
At 1 January 2014	-	2,832	2,832
Current year amortisation	-	1,986	1,986
At 31 December 2014	-	4,818	4,818
Carrying amount			
At 1 January 2014	-	4,929	4,929
At 31 December 2014	-	5,130	5,130

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to two cash-generating units which are equivalent to the two operating segments of the Group; Non life insurance and asset management for impairment testing as follows:

Asset management business and Non-life insurance business

	2015 P'000	2014 P'000
Carrying amount of goodwill		
Asset management business	65,957	72,563
Non-Life insurance	28,806	22,200
Total	94,763	94,763

Management estimates that the recoverable amounts of the cash generating units (CGU's) exceed or equal the carrying amounts. Management estimates include a new review of the performance of CGU's 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 performance of the non- life insurance business is also improving as compared to prior years. Management is estimating that the business will keep on growing by about 5% in the foreseeable future which is in line with industry average and the country's long term inflation targets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

3. INTANGIBLE ASSETS (CONTINUED)

Asset management business

The recoverable amount of the asset management business unit, was determined based on the value-in-use calculation using the cashflow projections on financial budgets approved by senior management covering a 10 year period and perpetual growth of 5% thereafter. A pre-tax Group specific risk adjusted discount rate of 17.5% (2014: 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:

	2015	2014
Investment income/surplus return	8.8%	7.6%
Investment growth on AUM (after tax)	7.0%	7.0%
Net inflows as a % of AUM	(1.0%)	(2.0%)

Non-life insurance business

The recoverable amount of the non-life insurance business, on which an impairment was raised in 2014 due to the short term insurance business 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% (2014: 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% (2014: 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.

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

	2015	2014
Growth in Gross Earned Premium (GEP)	10.1%	17%
WACC	15.3%	15.3%

Sensitivity to changes in assumptions

With regard to the assessment of value -in -use for the non-life insurance business, management believes a reasonably possible change in any of the above key assumptions might cause the carrying value of the units to exceed their recoverable amounts. An increase of 1% in the WACC would result in the reduction in the recoverable amount of the non life insurance business by P3 million (2014:P3 million).

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 P154 million (2014: P62 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 22.6% in the investment 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 P24 million (2014: P13 million).

No impairment loss has been recognised in the current year. An impairment loss of P20.2 million was recognised in 2014 in the non-life insurance business unit due to the continued losses the business was making.

4. INVESTMENTS

Fair values

At 31 December 2015 and 31 December 2014, the carrying value of financial instruments reported in the financial statements approximate their fair value.

	GROUP		COMPANY	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
Investments designated as fair value through profit or loss				
At the beginning of the year	11,973,412	11,293,287	-	-
Net contributions & withdrawals	(2,293,677)	841,138	-	-
Fair value adjustments on investments	1,095,286	(161,013)	-	-
At the end of the year	10,775,021	11,973,412	-	-

	GROUP		COMPANY	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
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)	6,362,935	5,427,365	-	-
Money market instruments	92,126	110,991	-	-
Policy loans and other loan advances (Note 4.3)	408,432	421,517	-	-
	6,863,493	5,959,873	-	-

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 7.75% to 12% (2014: 7.75% to 12.00%). For unlisted bonds, interest rates are fixed, with coupon rates falling between 3.6% and 11% (2014: 5.00% and 12.25%) annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 0 and 12 years (10 - 27 years : 2014) for all listed and unlisted bonds.

Money markets constitutes funds invested in call accounts. The average market interest rate for money market instruments was 3.98% for 2015 (2014: 4.25%). All money market instruments are of a short term nature, being exercisable within one year of year end.

	GROUP		COMPANY	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
4.2 Equity investments				
Listed in Botswana	1,543,037	1,636,467	-	-
Listed foreign markets	2,314,396	4,302,977	-	-
Unlisted	54,095	74,095	-	-
	3,911,528	6,013,539	-	-
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	844,251	525,064	-	-
Financials	3,599,929	3,325,152	-	-
Energy	106,750	174,835	-	-
Education	66,729	66,273	-	-
Property	476,780	1,209,279	-	-
Tourism	111,324	154,469	-	-
Offshore foreign equities	2,314,396	4,302,977	-	-
Government	3,254,862	2,215,363	-	-
	10,775,021	11,973,412	-	-

Listed financial assets:

The closing price at the year end have been used to value these investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

4. INVESTMENTS (CONTINUED)

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 cashflows for the unlisted investments are determined with reference to contractual rate of return and the timing of the cashflow.

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 110 to 112 basis points in current year (2014:110 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 cashflow 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% (2014: 0% to 6.94%)

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
4.3 Policy loans and other loan advances				
Opening balance	421,517	482,259	-	-
New loans	321	559	-	-
Interest charges	4,743	6,834	-	-
Repayments	(9,360)	(38,367)	-	-
Impairment	(101)	(1,835)	-	-
Loan redemption from units	(8,688)	(27,933)	-	-
	408,432	421,517	-	-
Loans secured against the company's insurance policies	27,914	39,371	-	-
Other loans	380,518	382,146	-	-

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. Interest rate is variable depending on Botswana local bank prime lending rates. The interest rate at December 2015 was 18% (2014: 19%)

As at the year end, an amount of P0.1 million (2014: P1.8 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 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 7.5% (2014: 9%)

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 (2014: 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.

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
4.4 Investment property & Investments in unlisted property funds				
At beginning of the year	227,858	300,681	-	-
Disposal of investments	-	(45,880)	-	-
Revaluations	38,772	(26,943)	-	-
	266,630	227,858	-	-
Physical properties held	110,073	106,365	-	-
Investments in unlisted property companies	156,557	121,493	-	-

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

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Investments properties:				
Opening balance at 1 January	106,365	109,885	-	-
Net gains/(loss) from fair value adjustment	3,708	(3,520)	-	-
Closing balance at 31 December	110,073	106,365	-	-
Rental income derived from investment properties	14,195	14,589	-	-
Direct operating expenses (including repairs and maintenance) generating rental income	13,887	15,641	-	-
The Company's investment properties consist of two commercial properties and a piece of vacant land in Fairgrounds Office Park.				
Investments in properties funds:				
Opening balance at 1 January	121,493	190,796	-	-
Net movement (additions, disposals and gains/(loss) from fair value adjustment)	35,064	(69,303)	-	-
Closing balance at 31 December	156,557	121,493	-	-
Refer note 2 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:				
Shareholder portion	8,580	8,580	-	-
Policyholder portion	258,050	219,278	-	-
Total	266,630	227,858	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

4. INVESTMENTS (CONTINUED)

Investment properties & invesments in unlisted property funds are stated at fair value which has been determined based on valuations performed by Knight Frank; an accredited independent valuer, as at 31 December 2015 and 31 December 2014 for the current and previous years respectively. Knight Frank is an industry 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.

	2015	2014
Inflation rate (%)	3.1%	4.3%
Capitalisation rates	9% -12.5%	9% - 12.5%
Long-term vacancy rates	0%	0%

The valuation has been undertaken on the assumption that the properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials.

Valuations and appraisals were carried out in accordance with the RICS Appraisal and Valuation Standards ("The Red Book"), by valuers who conform to its requirements, and with regard to relevant statues or regulations and with reference to market evidence of transaction prices for similar properties.

Properties are valued individually and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and accordance with the relevant definitions, commentary and assumptions contained in 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.

4.5 Interest in associates / joint venture and subsidiaries (subsidiaries at company level)

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Carrying amounts at beginning of the year	1,647,451	1,439,221	259,564	320,996
Share of results after tax	186,728	253,618	-	-
Dividend received	(85,321)	(59,738)	-	-
Investment in Employee Share Scheme Trust	-	-	-	-
Reclassification of subsidiary to associate due to loss of control - note 4.6	-	14,350	-	-
Additional investment in associates and subsidiaries - Note 4.8	147,544	-	167,236	3,763
Impairment	-	-	-	(65,195)
Fair value adjustments	(103,909)	-	-	-
Foreign currency translation loss	(50,813)	-	-	-
Carrying amount at the end of the year	1,741,680	1,647,451	426,800	259,564

The Group, through its 100% owned subsidiary Bifm has a 50% interest in Khumo Property Asset Management, a jointly controlled entity involved in the property management company. 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 joint controlled entity is 31 October. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

The Group, through its 100% owned subsidiary BIFM, has invested in various associates being Plot 21, Bongwe, Fuene, Gaborone Sun and African Life Financial Services (Zambia) Ltd and Quantum Assets Zambia (Ltd). The table below 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 Fuene (Pty) 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 BLIL has a 23.17% (2014: 23.26%) 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:

The Group through its 100% owned subsidiary BLIL owns 35.46% (2014: 33.97%) 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 31 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 associate Letshego Holdings Limited was P1,269 million (2014:P 1,250 million)

During the year the Group acquired a 25.1% interest in Nico Holdings Limited (NICO). The 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:

Impairment of subsidiaries

The company impaired its investments in the following subsidiaries due to their continued losses. The amount of impairment recognised in profit or loss is shown below:

	2015 P'000	2014 P'000
BIHL Insurance Company Ltd	-	65,195
	-	65,195

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

4. INVESTMENTS (CONTINUED)

JOINT VENTURE

	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	50.00%	20.00%	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 the joint venture and associates (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	-	-	(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	215,658
Carrying amount (P'000)	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	(10,127)	(381)	(54,957)
Depreciation and amortisation	(150)	-	(4,747)
Finance costs, including interest expense	-	-	(1,180)
Profit/(loss) before tax	4,116	10,217	37,721
Income tax expense	(796)	(217)	(6,017)
Profit/(loss) for the year (continuing operations)	3,321	10,000	31,704
Group's share of profit/(loss) 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.

ASSOCIATES

Plot 21 Investments	Bongwe	African Life Financial Services (Zambia) Limited	Quantum Assets Zambia Limited	Healthcare Holdings	Fuene (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
33.00%	33.00%	49.00%	49.00%	29.60%	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	
6,887	39,667	2,757	1,238	10,281	16,912	359,082	320,544	
(10,662)	(324,982)	-	(5,091)	(1,533)	(58,014)	(1,968,143)	(1,937,844)	
(8,668)	(28,608)	(7,444)	236	(716)	(4,072)	(1,423,500)	(94,915)	
(760)	(3,554)	(3,073)	(416)	(138)	(44,721)	(227,785)	(209,521)	
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)

for the year ended 31 December 2015

4. INVESTMENTS (CONTINUED)

JOINT VENTURE

	Khumo Property Asset Mngt.	Gaborone Sun	Funeral Services Group
4.5 Interest in associates / joint ventures and subsidiaries (subsidiaries at company level) (continued)			
2014			
Carrying amount (P'000)	4,296	29,423	59,423
Interest in issued share capital			
Shareholders' fund	50%	20%	34%
Share of earnings after tax for current year (P'000)	1,109	5,312	10,567
Distributions received	-	-	-
Shareholders' fund (P'000)	-	-	(4,939)
Total assets and liabilities of associated company (P'000)			
Non-current assets	474	27,717	154,364
Current financial assets , excluding cash and cash equivalents	2,532	56	15,800
Cash and cash equivalents	5,750	8,125	73,654
Non current financial liabilities excluding trade and other payables and provisions	-	-	(12,938)
Current financial liabilities excluding trade and other payables and provisions	(3,161)	-	(5,632)
Current liabilities	(11)	(205)	(28,641)
Shareholders equity	5,584	35,693	196,607
	4,296	29,423	59,423
Calculated carrying value	2,792	7,133	66,787
Effects of fair value adjustments and Goodwill at initial recognition	1,504	22,285	(7,364)
Summarised statement of profit or loss of the joint venture and associates (P'000)			
Revenue	12,349	26,964	122,994
Interest income	19	269	2,953
Cost of sales	-	-	(21,677)
Administration expenses, excluding depreciation and amortisation	(9,682)	(290)	(59,322)
Depreciation and amortisation	(137)	-	(5,232)
Finance costs, including interest expense	-	-	(382)
Profit before tax	2,549	26,943	39,334
Income tax expense	(330)	(383)	(8,226)
Profit for the year (continuing operations)	2,219	26,560	31,108
Group's share of profit for the year	1,109	5,312	10,567

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.

ASSOCIATES							
Plot 21 Investments	Bongwe	African Life Financial Services (Zambia) Limited	Quantum Assets (Zambia) Limited	Healthcare Holdings	Fuene (Pty) Ltd	Letshego Holdings Limited	Total
2,208	3,206	74,259	11,064	65,215	148,026	1,250,331	1,647,451
33%	33%	49%	49%	30%	25%	23.26%	-
515	853	8,847	(4,739)	48,592	2,183	180,379	253,618
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(54,799)	(59,738)
29,010	197,548	11,077	52,403	46,243	620,157	178,470	1,317,463
1,966	4,264	14,827	6,458	13,205	30,355	5,837,899	
7,684	15,223	1,714	488	9,662	15,509	320,544	
(26,669)	(205,930)	(229)	(2,885)	-	(7,279)	(1,937,844)	
(2,029)	-	(4,870)	-	(1,921)	(2,428)	(94,915)	
(473)	(1,280)	(3,777)	(647)	(189)	(6,106)	(209,521)	
9,489	9,825	18,742	55,817	67,000	650,208	4,094,633	
2,208	3,206	74,259	11,064	65,215	148,025	1,250,331	1,647,451
3,131	3,242	9,183	27,350	19,832	161,577	952,412	1,253,446
(923)	(36)	65,076	(16,286)	45,383	(13,551)	297,919	394,005
3,707	11,730	64,731	13,330	170,828	74,682	316,533	
5,184	18,205	1,052	1,566	83	57	1,345,194	
(3,356)	(10,627)	-	-	-	-	-	
(309)	(1,071)	(37,437)	(24,735)	(3,840)	(24,425)	(510,621)	
-	-	(469)	(604)	(1,112)	(26)	(13,392)	
(3,230)	(14,956)	(94)	(423)	-	(42,761)	(167,582)	
1,996	3,281	27,783	(10,866)	165,959	7,527	970,132	
(436)	(696)	(9,728)	1,195	(1,796)	1,259	(248,280)	
1,560	2,586	18,056	(9,671)	164,163	8,786	721,852	
515	853	8,847	(4,739)	48,592	2,183	180,379	253,618

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

4. INVESTMENTS (CONTINUED)

4.6 Disposal of subsidiary

	GROUP	
	2015 P'000	2014 P'000
In the prior year, Bifm disposed a 21% shareholding in Quantum Assets Zambia Limited:		
Carrying amount of assets	-	58,946
Carrying amount of liabilities	-	(5,000)
Net assets	-	53,946
Fair value of consideration received	-	6,908
Balance of NCI at date of sale	-	17,869
Fair value of investment retained in the associate (49%)	-	14,350
Loss on disposal before other comprehensive income adjustments	-	(14,819)
Foreign currency translation differences in other comprehensive income recycled to profit or loss	-	(1,059)
Loss on disposal	-	(15,878)
Carrying value of assets and liabilities disposed were as follows:		
Property and equipment	-	1,265
Investments	-	41,246
Trade and other receivables	-	11,271
Cash and cash equivalents	-	2,055
Deferred tax liabilities	-	-
Trade and other payables	-	(5,000)
	-	50,837
Group's share of net assets at fair value		10,676
Consideration	-	6,908
Effect on cashflow		
- Cash consideration received on disposal of subsidiary	-	6,908
- Cash disposed off in subsidiary	-	(2,055)
	-	4,853

4.7 Discontinued Operation

In the prior year BIHL entered into discussions with Botswana Insurance Company (BIC) for the sale of the Company's short term insurance business excluding legal insurance. A memorandum of agreement was signed in April 2014. The transaction effected as at 31 August 2014 following approval by relevant regulatory bodies. As at 31 December all balances relating to the transaction were transfered to BIC with the exception of outstanding cash transfers as detailed below.

The results for the discontinued short term insurance business for the year are presented below:

	GROUP	
	2015 P'000	2014 P'000
Revenue		
Net insurance premium income	-	6,006
Gross Insurance premium income	-	17,658
Insurance premium ceded to reinsurers	-	(11,652)
Investment income	-	334
Total income	-	6,340
Net insurance and investment contract benefits and claims	-	(5,342)
Gross insurance benefits and claims	-	(9,382)
Reinsurance claims	-	4,040
Expenses		
Sales remuneration	-	(1,009)
Administration expenses	-	(14,738)
Profit on sale of short-term insurance business	-	932
Loss for the year from discontinued operations	-	(13,817)

No tax accrued to the discontinued operation in the prior year

The carrying amounts of the identifiable assets and liabilities of the General Lines business as at the date of disposal were :

	GROUP	
	2015 P'000	2014 P'000
Carrying amount of assets	-	14,352
Carrying amount of liabilities	-	(9,284)
Net assets	-	5,068
Group's share of net assets	-	5,068
Fair value of consideration received	-	6,000
Balance of NCI at date of sale	-	-
Profit on disposal	-	932
Carrying amount of assets and liabilities disposed were as follows:		
Property and equipment	-	-
Insurance other receivables	-	3,635
Cash and cash equivalents	-	10,717
Deferred tax liabilities	-	-
Short term insurance other payables	-	(9,284)
	-	5,068
Group's share of net assets	-	5,068
Consideration	-	6,000
Effect on cashflow		
- Cash consideration received on disposal of subsidiary	-	6,000
- Cash disposed off in subsidiary	-	(10,717)
	-	(4,717)

4.8 Acquisition of associate

During the year the Group acquired a 25.1% interest in Nico Holdings Limited (NICO). The 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.

	GROUP	
	2015 P'000	2014 P'000
The fair value amounts of the identifiable assets and liabilities of the 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	-
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)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

5. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
5.1 Insurance receivables				
Due from policyholders, agents and brokers	68,547	68,698	-	-
Due from reinsurers	5,666	7,302	-	-
	74,213	76,000	-	-
Other amounts receivables	145,681	123,529	21,650	2,998
	219,894	199,529	21,650	2,998

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:

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Neither past due nor impaired	151,347	130,831	21,650	2,998
Past due but not impaired:	68,547	68,698	-	-
Less than 30 days	30,197	32,139	-	-
30 - 60 days	21,415	23,192	-	-
60 - 90 days	16,936	13,367	-	-
	219,894	199,529	21,650	2,998

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

Impairment movement

As at 31 December 2015 outstanding premiums with a nominal value of P0.6 million were reversed during the year. In 2014 P 9.7 million were impaired and fully provided for. Movements in the provision for impairment of outstanding premiums were as follows and relate to 100% of the uncertain amounts:

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
At 1 January	2,647	12,374	-	-
Provision utilised	(664)	(9,727)	-	-
Provision reversed	(614)	(1,532)		
Provision raised	3,593	1,532	-	-
At 31 December	4,962	2,647	-	-
5.2 Deferred insurance acquisition costs				
Balance at the beginning of the year	-	2,051	-	-
Current year acquisition costs deferred	-	-	-	-
Amortisation	-	(2,051)	-	-
Balance at the end of the year	-	-	-	-

Deferred insurance acquisition costs are considered to be current assets.

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
5.3 Reinsurance contract receivable				
Claims reported and loss adjustment	-	-	-	-
Unearned premium	-	-	-	-
	-	-	-	-
Total amounts due under re-insurance contracts are considered to be current				
Reconciliation of re-insurance unearned premium				
Opening balance	-	3,669	-	-
Total reinsurance premium	-	11,110	-	-
Earned premium	-	(10,596)	-	-
Transferred on disposal of General Lines	-	(4,183)	-	-
Balance at the end of the year	-	-	-	-

6. STATED CAPITAL

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 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 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Foreign currency translation reserve				
Opening balance	66,726	67,322	-	-
Movement for the year	(50,831)	(596)	-	-
Balance at end of year	15,895	66,726	-	-
Consolidation reserve				
Opening balance	(68,777)	(62,464)	-	-
Transfer from retained earnings	27,503	(6,186)	-	-
Cost of shares disposed/(purchased)	(63,298)	(127)	-	-
Balance at end of year	(104,572)	(68,777)	-	-
BIHL shares held by Policy Holders				
Number of shares held at 31 December:	6,880	5,975	-	-
	6,880	5,975	-	-
Market price per share (Pula)	15.20	11.51	-	-
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	527	460	-	-
Opening balance	(74,860)	(77,041)	-	-
Cost of treasury shares/(purchased)/disposed	(307)	(10)	-	-
Exercised employee shares	9,250	2,191	-	-
	(65,917)	(74,860)	-	-
Share based payment reserve				
Opening balance	93,463	83,048	8,096	5,377
Expense arising from equity-settled share-based payment transactions	11,841	10,415	3,364	2,719
	105,304	93,463	11,460	8,096
Statutory capital reserve				
Opening balance	530,274	733,883	9,762	9,762
Transfer (to)/from profit for the year	2,700	(203,609)	-	-
	532,974	530,274	9,762	9,762

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

7. NON-DISTRIBUTABLE RESERVES (CONTINUED)

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Solvency reserve				
Opening balance	946	946	-	-
Transfer from profit for the year	-	-	-	-
	946	946	-	-
Total non-distributable reserves	484,630	547,772	21,222	17,858

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 requires 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 the reviewing the capital structure, the 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).

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 as is the case for the current year and preceding period.

8. POLICYHOLDER LIABILITIES

8.1 Analysis of movement in policy liabilities

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Life insurance contracts				
Income	3,413,561	2,483,541	-	-
Premium income	2,461,602	1,970,392	-	-
Investment return	951,959	513,149	-	-
Outflow	(2,212,897)	(1,938,582)	-	-
Policy benefits	(1,283,488)	(1,173,806)	-	-
Fees, risk premiums and other payments to shareholders' fund	(929,409)	(764,776)	-	-
Net movement for the year	1,200,664	544,959	-	-
Balance at beginning of the year	7,354,668	6,809,709	-	-
Balance at end of the year	8,555,332	7,354,668	-	-
Investment contracts				
Balance at the beginning of the year	4,287,030	4,313,530	-	-
Pension and investment contributions	1,314,183	622,181	-	-
Net investment return	674,663	205,052	-	-
Benefits paid and withdrawals	(3,898,094)	(853,733)	-	-
Balance at end of the year	2,377,782	4,287,030	-	-
Total policyholder liabilities	10,933,114	11,641,698	-	-
Segregated funds accounted for off the Statement of Financial Position	11,403,077	17,261,476	-	-

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

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
8.2 Analysis of premium income				
Life insurance				
Individual business	2,002,261	1,541,204	-	-
Recurring	928,872	847,786	-	-
Single	1,073,389	693,418	-	-
Employee benefits business	440,326	406,869	-	-
Recurring	93,969	95,263	-	-
Single	346,357	311,606	-	-
Non life insurance	44,678	38,610		
Total premium income	2,487,265	1,986,683	-	-
8.3 Composition of policy liabilities under investment contracts				
Individual business				
Linked and market-related liabilities	2,377,782	4,287,030	-	-
Composition of policy liabilities under insurance contracts				
Individual business	8,204,875	6,959,191	-	-
Linked and market-related liabilities	2,139,276	2,005,343	-	-
Stable bonus fund	49,092	48,602	-	-
Reversionary bonus policies	46,617	49,860	-	-
Non-participating annuities	5,905,822	4,801,976	-	-
Other non-participating liabilities	64,068	53,410	-	-
Employee benefits business	350,457	395,477	-	
Other non-participating liabilities	350,457	395,477	-	
Total policy liabilities	10,933,114	11,641,698	-	-

8.4 Maturity analysis of policy holder liabilities

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)

for the year ended 31 December 2015

8. POLICYHOLDER LIABILITIES (CONTINUED)

8.1 Analysis of movement in policy liabilities (continued)

P'000 **2014**	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	4,287,030	-	-	-	-	4,287,030
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	101,535	611,273	1,292,535	-	2,005,343
Smoothed bonus business	-	1,788	37,044	1,592	8,179	48,603
Guaranteed business	-	6,668	21,647	21,545	-	49,860
Annuities - guaranteed	-	3,058	23,228	38,655	4,737,034	4,801,975
Annuities - participating	-	-	-	-	53,410	53,410
Non participating risk business	-	100	378,665	16,712	-	395,477
Total	4,287,030	113,149	1,071,857	1,371,039	4,798,623	11,641,698

	2015 P'000	2014 P'000
8.5 Policy liabilities include the following:		
HIV/Aids reserve	1,307	33,921
Asset mismatch reserve	107,251	91,435

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	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
8.6 Reinsurance Assets				
Balance at the beginning of the year	3,728	6,124	-	-
Movement in reinsurer's share of insurance contract liabilities	(686)	(2,396)	-	-
Balance at end of the year	3,042	3,728	-	-
8.7 Movement in life insurance contract liability				
Change in policyholder liabilities under insurance contracts	1,200,664	544,959	-	-
Change in contract liabilities ceded to reinsurers	686	2,396	-	-
Movement in the income statement	1,201,350	547,354	-	-

9. NON -CONTROLLING INTERESTS

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Balance at beginning of the year	18,569	34,912	-	-
Share of profit	2,627	6,108	-	-
Dividend payment	(2,722)	(1,983)	-	-
Currency translation difference	-	(2,599)	-	-
Disposal of minority	-	(17,869)	-	-
Balance at end of the year	18,474	18,569	-	-

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

Name	Country of incorporation and operations	2015 %	2014 %
Kgolo Ya Sechaba (KYS)	Botswana	37.10	37.10
Private Property Botswana (PPB)	Botswana	26.00	26.00

	P'000 2015	P'000 2014
Accumulated balances of material non-controlling interests:		
Kgolo Ya Sechaba (KYS)	11,801	13,653
Private Property Botswana (PPB)	6,673	4,917
	18,474	18,570
Profit/(loss) allocated to material non-controlling interests:		
Kgolo Ya Sechaba (KYS)	655	6,383
Private Property Botswana (PPB)	1,972	(275)
	2,627	6,108

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised Profit or loss for 2015		
Revenue	2,366	5,302
Cost of sales	-	-
Administrative expenses	(381)	(216)
Finance costs	-	-
Profit before tax	1,985	5,086
Income tax	(218)	(264)
Profit for the year from continuing operations	1,767	4,821
Total comprehensive income	1,767	4,821
Attributable to non controlling interests	655	1,972
Dividends paid to non controllling interests	-	-
Summarised Profit or loss for 2014		
Revenue		
Cost of sales	17,895	524
Administrative expenses	-	-
Finance costs	(331)	(324)
Profit before tax	-	-
Income tax	17,564	200
Profit for the year from continuing operations	(360)	(1,258)
Total comprehensive income	17,204	(1,058)
Attributable to non controlling interests	17,204	(1,058)
Dividends paid to non controllling interests	6,383	(275)
	-	-
Summarised statement of financial position as at 31 December 2015		
Trade recievables 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	11,801	6,673

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

9. NON -CONTROLLING INTERESTS (CONTINUED)

9.1 Proportion of equity interest held by non-controlling interests (continued):

	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised statement of financial position as at 31 December 2014		
Trade recievables and cash and bank balances (current)	3,827	1,661
Property, plant and equipment and other non-current financial assets (non- current)	35,616	34,755
Trade and other payable (current)	(149)	(17,505)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-	-
Total equity	39,294	18,911
Attributable to:		
Equity holders of parent	25,641	13,994
Non-controlling interests	13,653	4,917
Summarised cash flow information for year ending 31 December 2015:		
Operating	(202)	(139)
Investing	(5,346)	-
Financing	-	-
Net decrease in cash and cash equivalents	(5,548)	(139)
Summarised cash flow information for year ending 31 December 2014:		
Operating	70	2,075
Investing	-	-
Financing	-	(2,052)
Net increase in cash and cash equivalents	70	23

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 2015 P'000	Deferred tax liability 2015 P'000	Profit or loss 2015 P'000	Deferred tax asset 2014 P'000	Deferred tax liability 2014 P'000	Profit or loss 2014 P'000
Balance at the beginning of the year	495	(33,209)	-	2,344	(23,790)	-
Charge to the income statement	(454)	7,460	7,006	971	(11,808)	(10,837)
Prior year adjustments	-	7,389	-	(2,820)	2,389	-
Balance at end of the year	41	(18,360)	7,006	495	(33,209)	(10,837)
Representing:						
Accelerated depreciation for tax purposes	(41)	(1,722)	(1,356)	4,415	(3,372)	2,282
Unrealised gains on shareholders' investments	-	14,776	(5,650)	(1,268)	(32,226)	8,517
Policy loan impairment	-	-	-	-	-	-
Prior year adjustments	-	5,306	-	(2,820)	2,390	-
Deferred lease	-	-	-	168	-	38

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.

11. TRADE AND OTHER PAYABLES

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Insurance payables				
Due to agents and brokers	33,582	40,870	-	-
Due to reinsurers	9,251	10,383	-	-
Life Insurance claims payable	183,494	177,023	-	-
Life Insurance premiums received in advance	109,887	111,862	-	-
Other payables				
Other accounts payable	94,818	109,918	27,788	25,983
	431,032	450,056	27,788	25,983

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

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
11.1 Non life insurance contracts liabilities				
Claims reported and loss adjustment expenses	1,347	3,123	-	-
Claims incurred but not reported	4,468	3,860	-	-
Balance at the end of the year	5,815	6,983	-	-

Claims lodged with the insurance company are payable within 30 days
Unearned premium are amortised over the term of the policy which is a year.

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
11.2 Claims reported and loss adjustment expenses				
Balance at the beginning of the year	3,123	6,269	-	-
Current year provisions	11,682	11,042	-	-
Utilised in the current year	(13,190)	(11,775)	-	-
Transferred on disposal of Short-term insurance business	-	(2,413)	-	-
Salvages to be disposed	(268)	-	-	-
Balance at the end of the year	1,347	3,123	-	-
11.3 Claims incured but not reported				
Balance at the beginning of the year	3,869	2,939	-	-
Current year provisions	4,468	3,876	-	-
Utilised in the current year	(3,869)	(1,516)	-	-
Transferred on disposal of Short-term insurance business	-	(1,430)	-	-
Balance at the end of the year	4,468	3,869	-	-
11.4 Unearned premium				
Balance at the beginning of the year	-	13,540	-	-
Premiums raised during the year	-	16,899	-	-
Premiums utilised during the year	-	(16,122)	-	-
Transferred on disposal of Short-term insurance business	-	(14,317)	-	-
Balance at the end of the year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

11. TRADE AND OTHER PAYABLES (CONTINUED)

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
11.5 Deferred reinsurance acquisition revenue				
Balance at the beginning of the year	-	1,419	-	-
Reinsurance commission	-	1,379	-	-
Utilised during the year	-	(1,089)	-	-
Transferred on disposal of Short-term insurance business	-	(1,709)	-	-
Balance at the end of year	-	-	-	-

12. PREMIUM REVENUE

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Life Insurance				
Individual life	2,002,261	1,541,204	-	-
Gross premium	2,013,682	1,550,174	-	-
- Recurring premium	940,293	856,756	-	-
- Single	1,073,389	693,418	-	-
Premium ceded to reinsurers	(11,421)	(8,970)	-	-
Group and employee benefits	440,326	406,869	-	-
Gross premium	447,920	420,218	-	-
- Recurring premium	93,969	95,263	-	-
- Single	353,951	324,955	-	-
Premium ceded to reinsurers	(7,594)	(13,349)	-	-
Non life insurance				
Insurance contracts	44,678	38,610		
Gross insurance premium revenue	44,678	38,610	-	-
			-	-
Total non life premium revenue	44,678	38,610		
	2,487,265	1,986,683	-	-

13 INVESTMENT INCOME

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Shareholders' investment income				
Interest income in financial assets at fair value through profit or loss	21,830	16,848	-	-
Cash and cash equivalents interest income	6,428	9,097	1,372	89
Rental income on investment properties	7,890	11,664	-	-
Dividends	6,889	6,474	651,721	424,583
Investment management fees	(4,983)	(5,548)	-	-
	38,054	38,535	653,093	424,672
Policyholders' investment income				
(i) Policyholder insurance contracts				
Interest income in financial assets at fair value through profit or loss	445,166	394,202	-	-
Rental income on investment properties	5,807	9,528	-	-
Dividends	29,040	35,367	-	-
Investment management fees	(32,384)	(36,220)	-	-
	447,629	402,877	-	-
(ii) Policyholder investment contracts				
Interest income in financial assets at fair value through profit or loss	92,886	402,171	-	-
Rental income on investment properties	10,524	16,791	-	-
Dividends	95,234	112,195	-	-
	198,644	531,157	-	-
Total Policyholder's investment income	646,275	934,034	-	-
Total Investment income	684,327	972,569	653,093	424,672

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
13.1 Net gains /(losses) from financial assets held at fair value through profit or loss				
Shareholder				
Fair value gains on investments	95,015	58,941	-	-
Foreign exchange gains /(losses)	19,923	(4,121)	-	-
	114,938	54,820	-	-
Shareholders' net gain from financial assets held at fair value through profit or loss				
(i) insurance contracts				
Fair value gains /(losses) on investments	335,782	(14,283)	-	-
Foreign exchange gains	168,548	124,555	-	-
	504,330	110,272	-	-
(ii) investment contracts				
Fair value gains /(losses) on investments	476,018	(326,105)	-	-
	476,018	(326,105)	-	-
Total Policyholder net gains /(losses) from financial assets held at fair value through profit or loss	980,348	(215,833)	-	-
Total net gains/(losses) from financial assets held at fair value through profit or loss	1,095,286	(161,013)	-	-

14. NET INSURANCE BENEFITS AND CLAIMS

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Life insurance contracts				
Individual life				
Death and disability claims	153,105	129,464	-	-
Maturity claims	257,890	254,780	-	-
Policy surrenders	174,000	183,953	-	-
Annuities	433,389	379,905	-	-
Reinsurance share on death and disability claims	(2,600)	(761)	-	-
Total individual life	1,015,784	947,341	-	-
Group and employee benefits				
Death and disability claims	94,767	235,692	-	-
Policy surrenders	180,073	-	-	-
Reinsurance share on death and disability claims	(7,136)	(9,227)	-	-
Total group and employee benefits	267,704	226,465	-	-
Total net insurance claims and benefits under life insurance contracts	1,283,488	1,173,806	-	-
Non-life insurance contracts				
Gross claims	13,796	18,588	-	-
Total net insurance benefits and claims under non- life insurance contracts	13,796	18,588	-	-
Total net insurance benefits and claims	1,297,284	1,192,394	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

15. ADMINISTRATION EXPENSES INCLUDE:

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Auditors' remuneration				
- audit fee current period	5,359	5,978	435	511
- other services	926	815	-	-
Directors' fees				
- for services as directors	2,528	1,971	1,814	1,786
- for managerial services	3,640	3,305	3,640	3,305
- pension contribution	520	495	520	495
Operating lease rentals	13,649	15,264	1,773	808
Staff costs				
Salaries and wages for administration staff	146,359	148,709	20,306	15,165
Pension costs	11,065	10,938	1,593	1,790
Share based payment	11,892	10,415	3,364	2,694
CSP	11,892	10,175	3,364	2,678
SOS	-	39	-	16
- for managers	-	201	-	-
Total staff costs	169,316	170,062	25,263	19,649
Average number of employees	341	360	22	20

16. TAXATION

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Current tax	(117,764)	(94,432)	-	(714)
Deferred tax	7,006	(10,837)	-	-
Withholding tax on dividends	(13,187)	-	(34,267)	(16,232)
Capital gains tax	-	(2,226)	-	-
Tax charge	(123,945)	(107,495)	(34,267)	(16,946)

Tax reconciliation

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

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Profit before tax	721,629	626,958	622,003	338,096
Tax calculated at a tax rate of 22%	158,758	137,931	136,841	74,381
Expenses not deductible for tax	17,195	1,282	6,830	19,203
Income not subject to tax	(38,272)	(29,491)	(143,671)	(60,406)
Withholding tax on dividends	(13,187)	-	(34,267)	(16,232)
Effect of assessed losses	(837)	-	-	-
Capital gains tax	288	(2,226)	-	-
Tax charge	123,945	107,495	(34,267)	16,946

Income not subjected to tax includes dividends from subsidiaries and capital allowances. Expenses not deductible relate to donations and fines.

16.1 Tax Paid

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Opening balances	16,903	(25,751)	(1,393)	(2,969)
Charge for the year	130,951	96,658	34,267	16,946
Closing balance	(8,068)	(16,903)	276	1,393
Tax paid	139,786	54,004	33,150	15,370

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.

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings - Continued operations	595,024	513,355	-	-
Net loss attributable to ordinary equity holders of the parent for basic earnings and diluted earnings - Discontinued operations	-	(13,818)	-	-
Number of shares in issue	281,071	281,071	-	-
Staff share scheme and treasury shares	(7,761)	(8,025)	-	-
Weighted average number of shares used for calculating basic earnings per share	273,310	273,046	-	-
Weighted number of dilutive options	3,968	3,512	-	-
Weighted average number of shares used for calculating diluted earnings per share	277,278	276,558	-	-
Earnings per share (thebe)				
- basic	218	183	-	-
- diluted	215	181	-	-
Earnings per share (thebe) for continuing operations				
- Basic	218	188	-	-
- Diluted	215	186	-	-

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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

Declared and paid during the year:	Record date	P'000
Final dividend for the year to 31 December 2014:45 thebe (2013: 35 thebe)	17-Apr-2015	126,482
Interim dividend for six months to 30 June 2015: 55 thebe (2014: 42 thebe)	16-Oct-2014	154,589
		281,071
Dividend proposed after year end not recognised in the financial statements:		
Final dividend for the year to 31 December 2015: 67 thebe (2014: 45 thebe)	15-Apr-2016	188,318
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December)		188,318
Withholding tax on dividends		(14,124)
Dividend proposed for approval at AGM (After withholding tax - not recognised as liability at 31 December)		174,194

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

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 2015	2014	Nature of business
Directly held				
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Limited	Botswana	100	100	Holding company
BLI Investments (Pty) Limited	Botswana	100	100	Holding company
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 (Legal Guard)	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
Indirectly held				
Botswana Insurance Fund Management Limited	Botswana	100	100	Asset management
Botswana Life Properties (Pty) Limited	Botswana	100	100	Dormant
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance
KYS Investments (Pty) Limited	Botswana	63	63	Holding company

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 25.1 % interest in Nico Holdings Malawi (refer to note 4.8). The Group's interest in associates and joint venture is disclosed in note 4.5 to the financial statements.

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
19.1 Related party transactions				
Transactions on insurance contracts (Expense)/Income				
i) Sanlam Limited (58% shareholder of BIHL)				
- Premium ceded to reinsurer	(3,881)	(2,844)	-	-
- Claim recoveries from reinsurer	2,382	2,855	-	-
- Recoveries and other	3,638	9,196	-	-
ii) Letshego Holdings Limited (Associate company of BIHL)				
Credit life income	125,057	115,784	-	-
Claims paid	(110,733)	(108,494)	-	-
Dividends received	79,623	54,799	-	-
iii) Funeral Services Group Limited (FSG) (Associate company of BIHL)				
Share of income	6,032	6,226	-	-
Dividends received	5,698	4,939	-	-

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
iv) Aflife Zambia (Associate company of Bifm Holdings Ltd)				
Technical fees	4,652	4,791	-	-
v) Sanlam Emerging Markets (Pty) Ltd				
Purchase of 25.1% shareholding in Nico Holdiings Limited	(142,499)	-	-	-
Summary of transactions with related parties				
Shared expenses				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	4,224	15,083
- BIFM(100% owned by BIHL)	-	-	2,541	5,097
- BIHL Unit Trusts (100% owned by BIHL)	-	-	264	194
- BIHL Trust (CSI)	-	-	659	127
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	1,812	3,797
Dividends received				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	586,204	165,909
- BIFM(100% owned by BIHL)	-	-	28,127	46,466
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	37,391	212,209
Year end balances arising from transactions on other services other than insurance contracts				
Amount receivable/(payable)				
- Botswana Life Insurance Limited (100% owned by BIHL)			133,298	-
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	(9,960)	(988)
- BIFM(100% owned by BIHL)	-	-	10,680	6,792
- BIHL Unit Trusts (100% owned by BIHL)	-	-	3,001	2,705
- BIHL Employee Share Scheme Trust			2,918	-
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	1,052	1,503
- BIHL Trust	-	-	1,201	443
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	(844)	5,007
- Sanlam (58% shareholder of BIHL)	(2,140)	(4)	-	-
	(2,140)	(4)	141,346	15,462
Year end balances arising from transactions on insurance contracts.				
Net due to				
- Sanlam Limited	-	-	-	-

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

Loans to directors (Group)

There were no loans to directors.

Terms and conditions of transactions with related parties

The transactions between related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and are generally settled in 90 days. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Group did not record an impairment of receivables relating to amounts owed by related parties (2014: NIL million). 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

	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
(i) Compensation of key management personnel of the Group				
- Short-term employee benefits	28,459	27,581	5,070	9,191
- Pension costs - defined contribution plans	1,297	1,471	851	322
- Share based payments	5,123	4,260	1,751	2,719
- Other long-term benefits	16,008	13,488	3,115	1,246
	50,887	46,800	10,787	13,478

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

19. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Directors' shareholding in Group

	No of shares
B Dambe-Groth	44,115
M Mpugwa	7,775
C Chauhan	75,020
G. Hassam	204,200
	331,110

Total

(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 Long term benefits P'000	Total P'000
2015					
G Hassam	12	2,310	1,850	-	4,160
Total executive directors		2,310	1,850	-	4,160
2014					
G Hassam	12	2,200	1,600	-	3,800
Total executive directors		2,200	1,600	-	3,800

(b) Long-term emoluments
Share purchase plans

Name	No. of options	No. of grants- CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
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	
2014							
G Hassam							
Granted 2010	69,167	-	10.48	-	-	69,167	2020
Granted 2011	-	22,009	-	(22,009)	-	-	2021
Granted 2012	-	113,904	-	-	-	113,904	2022
Granted 2013	-	44,744	-	-	-	44,744	2023
Granted 2014	-	119,663	-	-	-	119,663	2024
Total	69,167	300,320		(22,009)	-	347,478	

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.

20. COMMITMENTS

	GROUP 2015 P'000	GROUP 2014 P'000	COMPANY 2015 P'000	COMPANY 2014 P'000
Operating lease commitments The future minimum lease payments under non-cancellable operating leases				
Within one year	7,395	16,064	1,287	2,006
Within two to five years	9,919	3,702	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.

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 P 11.1 million (2014: P10.9 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 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 2015 is P21 million (31 December 2014: P 21 million). The expense recognised in the income statement is P NIL (2014: P201,000).

	2015 Number of share options '000	2015 Weighted average exercise price Pula	2014 Number of share options '000	2014 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	958	16.90	958	16.53
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(33)	8.70	-	-
Outstanding at the end of year	925	16.90	958	16.53
Exercisable at 31 December	925	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 2015 is 2 years (2014: 4 years)
There were no new grants during the year. (2014: NIL)
The range of exercise prices for options outstanding at the end of the year was P16.90 (2014: P8.70 - P16.90).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

21. EMPLOYEE BENEFITS (CONTINUED)

(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 (2014: P42.1 million). The expense recognised in the income statement was PNIL (2014: PNIL).

	2015 Number of share options '000	2015 Weighted average exercise price Pula	2014 Number of share options '000	2014 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end of year	-	-	-	-

The scheme has been wound down

(iii) The Share Option Scheme (SOS)

All employees are eligible to participate in the scheme based on superior performance.

BIHL grants the employees option to obtain shares in BIHL The share options vests after a period of three years of continuous service from the grant date.The shares are issued at the ruling market price on the date of the grant. The Company and Group accounts for the awards as equity settled.

After the share options have vested, employees are given a period of 10 years from the offer date to exercise their option. The amount carried in the share based reserve at 31 December 2015 is P 2.2 million (31 December 2014: P2.2 million). The expense recognised in the income statement is PNIL (2014: P39,263).

	2015 Number of share options '000	2015 Weighted average exercise price Pula	2014 Number of share options '000	2014 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	772	10.71	818	10.77
Granted	-	-	-	-
Forfeited	-	-	(5)	11.75
Exercised	(224)	10.42	(41)	11.75
Outstanding at the end of year	548	10.82	772	10.71
Exercisable at 31 December	548	10.71	772	10.71

The were no options granted during the year (2014: PNIL). The weighted average value of options granted during the year was PNIL(2014: PNIL)

The weighted average remaining contractual life for the shares outstanding as at 31 December 2015 is 6 years (2014: 7 years)

The range of exercise prices for options outstanding at the end of the year was P8.50 - P11.75 (2014: P8.50 - P11.75)

(iv) Conditional Share Plan (CSP)

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the Group. The awards are given as grants. The awards are aligned to strategic periods and targets. Employees must remain in service for a period of three consecutive years from the date of grant. Vesting is based on satisfactory performance of individuals as per their scorecards over the stated three years. BIHL grants the employees to obtain shares in BIHL. The employer companies will, however, remain responsible to fund the procurement and settlement of shares issued to its employees in terms of the scheme at the time the shares are so procured.

The amount carried in the share based reserve at 31 December 2015 is P32.9 million (31 December 2014: P22.5 million). The expense recognised in the income statement is P10.4 million (2014: P10.3 million).

	2015 Number of grants '000	2015 Weighted average exercise price Pula	2014 Number of grants '000	2014 Weighted average exercise price Pula
Movement during the year				
Outstanding at the beginning	3,511	10.44	2,140	10.35
Granted	1,382	11.89	1,868	10.55
Forfeited	(112)	10.47	(235)	10.32
Exercised	(928)	10.30	(262)	10.65
Outstanding at the end of year	3,853	10.99	3,511	10.44

The weighted average remaining contractual life for the grants outstanding as at 31 December 2015 is 3 years (2014: 3 years).

The number of Conditional shares granted during the year was 1,382,314 (2014: 1,868,475).

The weighted average fair value of grants granted during the year was P11.89 (2014: P10.55)
The weighted average fair value exercise prices for grants outstanding at the end of the year was P10.30 (2014: P 10.44).

The following assumptions have been used in the valuations model of the Share Option Scheme (SOS):

	2015	2014
Dividend yield	5.74%	4.29%
Volatility	7%	18.36%
Risk free interest rate	5.86%	6.50%
Spot price	15.20	11.51
% of remaining employees	80.00%	80.00%

The following assumptions have been used in the valuations model of Conditional Share Plan (CSP):

	2015	2014
Dividend yield	5.74%	4.29%
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price	15.20	11.51
% 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

21. EMPLOYEE BENEFITS (CONTINUED)

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.

22. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Profit before tax from continuing operations	721,629	626,958	622,003	338,096
Loss from discontinued operations	-	(13,818)	-	-
Non cash flow items	(1,187,679)	(321,566)	8,477	71,785
Loss on sale of subsidiary	-	15,878	-	-
Profit on sale of short term business	-	(932)	-	-
Loss on sale of Property and Equipment	-	-	325	-
Impairment of goodwill	-	20,160	-	-
Depreciation	8,190	6,749	2,120	1,886
Amortisation and impairment	9,134	13,852	2,668	1,986
Impairment of investment in subsidiaries	-	-	-	65,195
Unrealised fair value gains on shareholder assets	(114,938)	(54,820)	-	-
Net unrealised gains from financial assets held at fair value through profit or loss	(1,015,412)	(106,193)	-	-
Unrealised fair value losses/(gains) on investment properties	(3,708)	26,943	-	-
Equity-accounted earnings	(186,728)	(253,618)	-	-
Fair value adjustments on equity accounted investments	103,891	-	-	-
Share - based payments	11,892	10,415	3,364	2,719
Items disclosed separately	(223,267)	(546,785)	(618,826)	(408,440)
Interest received	(121,144)	(428,116)	(1,372)	(89)
Dividends received	(102,123)	(118,669)	(617,454)	(408,351)
Working capital changes:	(746,319)	545,904	(6,515)	(169,808)
Net (increase)/decrease in trade and other receivables	(20,365)	47,184	(18,137)	(10,482)
Change in policyholder liabilities	(708,584)	518,459	-	-
Decrease in reinsurance assets	686	2,396	-	-
Net (decrease)/increase in trade and other payables	(18,055)	(22,135)	11,622	(159,326)
Cash (utilised in)/generated from operations	(1,435,636)	290,693	5,139	(168,367)

23. CASH AND BANK

	GROUP		COMPANY	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Cash and bank	166,048	101,391	47,860	23,258
Funds on deposit	889,038	557,077	-	-
Cash and cash equivalents	1,055,086	658,468	47,860	23,258

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 4.78% (2014: 4.5%). Funds on deposit have a maturity of three months or less.

The carrying amounts disclosed above reasonably approximate fair values at year end.

24. RISK MANAGEMENT

24.1 Financial risks

The main categories of financial risks associated with the financial instruments held by the business' shareholders' fund are summarised in the following table:

Type of risk	Description
Financial risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following:
	Equity price risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
	Interest rate risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
	Currency risk: the risk that fair value or future cashflows of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk includes:
	Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Liquidity risk	Liquidity risk is the risk that the business will encounter difficulty in meeting its obligations associated with financial liabilities.
Insurance risk	Insurance risk is the risk, other than financial risk, transferred from the holder of a contract to the insurer. The Group has included: Underwriting risk: the risk that the actual experience relating to mortality, disability, medical and short-term insurance risks will deviate negatively from the expected experience used in the pricing/valuation of solutions. Lapse risk: the risk of financial loss due to negative lapse experience. Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.
Capital adequacy risk	Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience, worse (to the extent as defined) than that which has been assumed in the financial soundness valuation.

The credit risk and liquidity risk notes include financial instruments from the shareholder and policy holder, while the market risk notes only include share holder instruments and policy holder instruments that are not linked or not market related.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

24. RISK MANAGEMENT (CONTINUED)

24.2 Market risk

The Group is exposed to financial risk, credit risk and liquidity risk on shareholder financial instruments as well as financial instruments backing non-participating or not market linked insurance contract liabilities. For investment contracts, policyholder assets and liabilities will offset one another and therefore there is no exposure to market risk. Market risk arises from the uncertain movement in the fair value of financial instruments that stems principally from potential changes in sentiment towards the instrument, the variability of future earnings that is reflected in the current perceived value of the instrument and the fluctuations in interest rates and foreign currency exchange rates.

The shareholders' fund investments in equities and interest-bearing instruments are valued at fair value and are therefore susceptible to market fluctuations.

Comprehensive measures and limits are in place to control the exposure to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the life operations' long-term solvency capital and the business' investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

24.3 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is the Group's and Company's objective to minimise interest rate risk to a minimum.

Floating rate instruments expose the Group and Company to cash flow interest risk, whereas fixed interest rate instruments expose the Group and Company to fair value interest risk.

The Group's and Company's interest risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until the maturity.

The Investment committee set the limits in the investment mandates, and meet quarterly to review compliance with the agreed mandates, and where necessary review the limits.

Sensitivity analysis to interest rate risk

The 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	Change in variables	Value (P'000)	Increase/ (decrease) in profit before tax (P'000)	Increase/ (decrease) in equity (P'000)
2015				
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)
2014				
BWP	0.5%	236,691	1,183	923
BWP	-0.5%	236,691	(1,183)	(923)
USD	0.5%	116,730	584	456
USD	-0.5%	116,730	(584)	(456)

COMPANY	Change in variables	Value (P'000)	Increase/ (decrease) in profit before tax (P'000)	Increase/ (decrease) in equity (P'000)
2015				
BWP	0.5%	47,860	239	186
BWP	-0.5%	47,860	(239)	(186)
2014				
BWP	0.5%	23,258	116	90
BWP	-0.5%	23,258	(116)	(90)

Fair value sensitivities

GROUP	Change in variables	Value (P'000)	Increase/ (decrease) in profit before tax (P'000)	Increase/ (decrease) in equity (P'000)
2015				
BWP	0.5%	54,155	271	211
BWP	-0.5%	54,155	(271)	(211)
2014				
BWP	0.5%	125,429	627	489
BWP	-0.5%	125,429	(627)	(489)

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.

	United States Dollar P'000	Other currencies P'000	Total P'000
2015			
Equity instruments	2,314,396	-	2,314,396
Money market instruments	191	-	191
Bonds	790	-	790
Foreign currency exposure	2,315,376	-	2,315,376
Average rate	10.27	-	
Closing rate	11.03	-	
2014			
Equity investments	4,302,977	-	4,302,977
Money market instruments	141,899	-	141,899
Bonds	377,961	-	377,961
Foreign currency exposure	4,822,837	-	4,822,837
Average rate	9.54	-	
Closing rate	9.13	-	

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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24. RISK MANAGEMENT (CONTINUED)

24.4 Foreign currency risk (continued)

GROUP	Change in variables	Value (P'000)	Increase/ (decrease) in profit before tax (P'000)	Increase/ (decrease) in equity (P'000)
2015				
USD	5%	2,315,376	115,769	90,300
USD	-5%	2,315,376	(115,769)	(90,300)
2014				
USD	5%	4,822,836	241,142	188,091
USD	-5%	4,822,836	(241,142)	(188,091)

24.5 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) in equities and debt securities, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit linked business.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market. The price risk movement on bonds is included in the interest rate risk note.

Price sensitivity analysis

The following table shows the effect of price changes on domestic market and foreign market equities. The sensitivity analysis uses the Domestic Company Index which is the principle stock index of the Botswana Stock exchange and the Morgan Stanley Capital Index which is a market capitalisation weighted benchmark index made up of equities from 23 countries including the United States. Indices are free-float weighted equity indices.

The disclosures are based on shareholder financial instruments as well as financial instruments backing non-participating or not market linked insurance contract liabilities.

	Change in variables	Value (P'000)	Increase/ (decrease) in profit before tax (P'000)	Increase/ (decrease) in equity (P'000)
2015				
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
2014				
Botswana Stock Exchange	3%	1,891	57	44
Listed Property companies - Botswana	3%	184,132	5,524	4,309
World Equity Index	1%	125,531	1,255	979
Botswana Unit Trusts	3%	5,013	150	117
Total exposure		316,567	6,986	5,449

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 recievables, deferred insurance acquisition cost, local money markets, policy loans and other loans, related party receivables and cash and bank balances with banks will not be redeemed by the relevant counter parties when they become due.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. It is the Group's objective to minimise credit risk to a minimum.

Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments; i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investment that may be held.

The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.

Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews.

The credit risk in respect of customer balances, incurred on non payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. There is no concentration of risk with respect to customer balances as the company has a large number of varied customers.

The policyholder and shareholder funds follow a 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	2015 Total P'000	2014 Total P'000
Long term Reinsurance assets	3,042	3,728
Bonds - Government	3,014,970	2,547,119
- Corporate (listed, unlisted)	3,347,965	2,880,246
Money market instruments	92,126	110,991
Policy loans and other loan advances	408,432	421,517
Insurance and other receivables	219,894	199,529
Cash, deposits and similar securities	1,055,086	658,468
Maximum credit risk exposure	8,141,515	6,821,598

COMPANY	2015 Total P'000	2014 Total P'000
Other receivables	21,650	2,998
Related party balances	149,233	16,450
Cash, deposits and similar securities	47,860	23,258
Maximum credit risk exposure	218,743	42,706

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)

for the year ended 31 December 2015

24. RISK MANAGEMENT (CONTINUED)

24.6 Credit risk (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 majority of balances are not rated. Moody's Investors Service retained the stable outlook and the A2 rating (2014: 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 percept.

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.

	Botswana Pula	A2 rated	Not rated	Total P'000
2015				
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

	Botswana Pula	A2 rated	Not rated	Total P000
2014				
Long term Reinsurance assets	3,728	-	3,728	3,728
Government bonds	2,547,119	2,547,119	-	2,547,119
Corporate bonds and other	2,880,246	-	2,880,246	2,880,246
Money Markets	37,664	-	110,991	110,991
Policy loans and other loan advances	421,517	-	421,517	421,517
Insurance and other receivables	199,529	-	199,529	199,529
Cash and bank balances	658,468	-	658,468	658,468
Total assets	6,748,271	2,547,119	4,274,479	6,821,598

None of the non rated assets are impaired as at 2015 and 2014 financial years. Corporate bonds and other are held by reputable financial institutions and parastatals. An annual independent evaluation is performed on the financial strengths of the corporates to asses the credit risk on these bonds. Continuous monitoring is also performed. Money market investments are with reputable local banks and reputable foreign fund managers with good financial wealth. Policy loans 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.

Unlisted bonds	2015 Collateral held P'000	2015 Credit exposure P'000	2014 Collateral held P'000	2014 Credit exposure P'000
ABC Holdings, RDC Properties	56,354	303,605	56,250	308,257
Botho Park	160,000	66,729	154,000	66,273
CA Sales & Distribution	60,000	38,781	60,000	56,024
Botswana Savings Bank	-	66,461	-	65,225
Choppies	100,000	98,542	100,000	39,500
RDC Properties	75,000	104,061	-	98,136
Three Partners Resort	445,377	75,229	414,000	71,095
Stanbic Bank of Botswana	-	749,058	-	642,668
First National Bank of Botswana	-	289,119	-	254,953
Lonrho Hotels Botswana	30,000	36,095	30,000	35,556
Real People Investment Holdings	-	118,739	-	119,945
Allied Investments	150,000	143,174	150,000	136,659
Prime Time holdings	93,750	80,857	81,250	76,939
Standard bank	-	344,083	-	289,358.25
FAR Property	270,000	117,518	1,250,000	114,847.85
Cash Bazaar Holdings	150,000	123,987	150,000	118,137.16
Botswana Postal Services	-		- -	121,940.88
Flip Coin	74,120	95,165	74,120	87,580.44
BIFM Offshore bond	-	179,615	-	377,745
Meybeernick Investment	-	67,957	-	432,694
BIFM Local Bond	-	366,253	-	31,599
Total	1,664,601	3,465,028	2,519,620	3,545,132

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

Maturity analysis of Financial assets and Financial Liabilities:

GROUP	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
2015					
Financial Assets:					
Long term Reinsurance assets	3,017	25	-	-	3,042
Investment in unlisted property companies	-	-	-	156,557	156,557
Bonds (Government, public authority, listed & unlisted corporates)	30,813	1,684,200	4,647,922	-	6,362,935
Money market instruments	92,126	-	-	-	92,126
Equity investments	-	-	-	3,911,528	3,911,528
Policy loans and other loan advances	31,217	154,929	222,286	-	408,432
Related party balances	-	-	-	-	-
Insurance and other receivables	219,894	-	-	-	219,894
Cash, deposits and similar securities	1,055,086	-	-	-	1,055,086
	1,432,153	1,839,154	4,870,208	4,068,085	12,209,600

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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24. RISK MANAGEMENT (CONTINUED)

24.7 Liquidity risk (continued)

GROUP	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
2015					
Financial Liabilities:					
Policy holders liabilities					
-Insurance contracts	331,730	818,547	1,486,720	5,918,335	8,555,332
-Investment contracts	-	-	-	2,377,782	2,377,782
Related party balances	2,140	-	-	-	2,140
Insurance and other payables	431,032	-	-	-	431,032
Short term insurance contract liabilities	5,815	-	-	-	5,815
	770,717	818,547	1,486,720	8,296,117	11,372,101

GROUP	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
2014					
Financial Assets:					
Long term Reinsurance assets	3,319	409	-	-	3,728
Investments in unlisted property companies	-	-	-	121,493	121,493
Bonds (Government, public authority, listed & unlisted corporates)	263,580	663,969	4,499,816	-	5,427,365
Money market instruments	110,991	-	-	-	110,991
Equity investments	-	-	-	6,013,539	6,013,539
Policy loans and other loan advances	24,192	185,732	211,593	-	421,517
Related party balances	-	-	-	-	-
Insurance and other receivables	199,529	-	-	-	199,529
Reinsurance contracts receivabl	-	-	-	-	-
Deferred insurance acquisition cost	-	-	-	-	-
Cash, deposits and similar securities	658,468	-	-	-	658,468
	1,260,080	850,110	4,711,409	6,135,032	12,956,630
Financial Liabilities:					
Policy holders liabilities					
-Insurance contracts	113,149	1,071,857	1,371,039	4,798,623	7,354,668
-Investment contracts	-	-	-	4,287,030	4,287,030
Related party balances	4	-	-	-	4
Insurance and other payables	450,055	-	-	-	450,055
Short term insurance contract liabilities	6,984	-	-	-	6,984
	570,192	1,071,857	1,371,039	9,085,653	12,098,741

The financial instruments as presented in the above maturity analysis are measured at their fair values consistent with the amounts as presented on the statement of financial position. The maturity analysis is prepared based on the basis of the period expected to elapse, after year end, before the instruments mature and/or are settled based on policy contracts. The open ended contracts are those policies that are linked to an event occurring and are not time bound.

COMPANY	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
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
	218,743	-	-	-	218,743
Financial Liabilities:					
Trade and other payables	27,789	-	-	-	27,789
Related party balances	10,804	-	-	-	10,804
	38,593	-	-	-	38,593

COMPANY	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
2014					
Financial Assets:					
Trade and other receivables	2,998	-	-	-	2,998
Related party balances	16,450	-	-	-	16,450
Cash, deposits and similar securities	23,258	-	-	-	23,258
	42,706	-	-	-	42,706
Financial Liabilities:					
Trade and other payables	25,983	-	-	-	25,983
Related party balances	988	-	-	-	988
	26,971	-	-	-	26,971

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 P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
2015						
Financial Assets:						
Long term Reinsurance assets	3,042	3,017	25	-	-	3,042
Investment in physical properties	-	-	-	-	110,073	110,073
Investment in unlisted property companies	-	-	-	-	156,557	156,557
Bonds (Government, public authority, listed & unlisted corporates)	6,362,935	112,375	443,430	5,329,326	-	5,885,131
Equity investments	-	-	-	-	3,911,528	3,911,528
Money market instruments	92,126	92,126	-	-	-	92,126
Policy loans and other loan advances	408,432	27,504	136,501	195,847	-	359,852
Related party balances	-	-	-	-	-	-
Insurance and other receivables	219,894	219,894	-	-	-	219,894
Reinsurance contracts receivable	-	-	-	-	-	-
Deferred insurance acquisition cost	-	-	-	-	-	-
Cash, deposits and similar securities	1,055,086	1,055,086	-	-	-	1,055,086
Total undiscounted assets	8,141,515	1,510,002	579,956	5,525,173	4,178,158	11,793,289
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	8,555,331	331,730	818,547	1,486,720	5,918,334	8,555,332
-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
Deferred reinsurance acquisition revenue	-	-	-	-	-	-
Total undiscounted liabilities	11,372,101	770,717	818,547	1,486,720	8,296,116	11,372,101

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

24. RISK MANAGEMENT (CONTINUED)

GROUP	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
2014						
Financial Assets:						
Long term Reinsurance assets	3,728	3,319	409	-	-	3,728
Investment in physical properties	-	-	-	-	106,365	106,365
Investment in unlisted property companies	-	-	-	-	121,493	121,493
Bonds (Government, public authority, listed & unlisted corporates)	5,427,365	112,375	443,430	5,329,326	-	5,885,131
Equity investments	-	-	-	-	6,013,539	6,013,539
Money market instruments	110,991	110,991	-	-	-	110,991
Policy loans and other loan advances	421,517	21,315	163,641	186,426	-	371,381
Related party balances	-	-	-	-	-	-
Insurance and other receivables	199,529	199,529	-	-	-	199,529
Reinsurance contracts receivable	-	-	-	-	-	-
Deferred insurance acquisition cost	-	-	-	-	-	-
Cash, deposits and similar securities	658,468	658,468	-	-	-	658,468
Total undiscounted assets	6,821,598	1,105,997	607,480	5,515,752	6,241,397	13,470,626
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	7,354,668	113,149	1,071,857	1,371,039	4,798,623	7,354,668
-Investment contracts	4,287,030	-	-	-	4,287,030	4,287,030
Related party balances	4	4	-	-	-	4
Insurance and other payables	450,055	450,055	-	-	-	450,055
Short term insurance contract liabilities	6,984	6,984	-	-	-	6,984
Deferred reinsurance acquisition revenue	-	-	-	-	-	-
Total undiscounted liabilities	12,098,741	570,192	1,071,857	1,371,039	9,085,653	12,098,741

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained 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 the Group is to have sufficient reserves available to cover these liabilities.

The risk exposure is mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its mitigation programme. Reinsurance ceded is placed on both a proportional and non- proportional basis. The majority of proportional reinsurance is quota-share reinsurance which taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess -of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess of reinsurance vary by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon on a single reinsurance contract. Reinsurance is placed with reputable institutions.

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 150 of the annual financial statements.

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

Concentration of Non-life insurance contract liabilities

2014	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Insurance	6,983	-	6,983
Short - term	-	-	-
	6,983	-	6,983

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	2015 P'000	2014 P'000	2013 P'000	2012 P'000
At the end of the year	13,796	18,588	21,412	15,434
IBNR	4,468	3,861	2,931	1,693
	18,264	22,449	24,343	17,127

Prior to 2011, the non-life insurance business operated as an agency and did not underwrite insurance business. Consequently no data has been presented. For life insurance refer to Report of the Statutory Actuary.

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)
2015				
Average claims cost	+ 3%	5,815	174	136
2014				
Average claims cost	+ 3%	6,983	209	163

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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 2015:

	Quoted Prices in active markets Level 1 P'000	Significant observable inputs (Level 2) P'000	Significant unobservable inputs (Level 3) P'000	Total fair value P'000
31 December 2015				
Financial Assets				
Investment properties	-	-	-	-
- Physical properties	-	-	110,073	110,073
- 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	3,911,479	-	54,095	3,911,479
Policy loans	-	-	27,914	27,914
Other loan advances	-	-	380,518	380,518
	7,084,132	92,126	3,919,440	11,041,603
Financial Liabilities				
Investment contract liabilities	-	2,377,782	-	2,377,782
	-	2,377,782	-	2,377,782
31 December 2014				
Financial Assets				
Investment properties	-	-	-	-
- Physical properties	-	-	106,365	106,365
- Investment in unlisted property companies	-	-	121,493	121,493
Bonds	2,567,957	-	2,859,408	5,427,365
Government	2,350,678	-	192,812	2,543,489
Corporate bonds - Listed and unlisted	217,279	-	2,666,596	2,883,876
Money market instruments	-	110,991	-	110,991
Equity investments	5,939,445	-	74,095	5,939,445
Policy loans	-	-	39,371	39,371
Other loan advances	-	-	382,146	382,146
	8,507,402	110,991	3,582,878	12,127,176
Financial Liabilities				
Investment contract liabilities	-	4,287,030	-	4,287,030
	-	4,287,030	-	4,287,030

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group, and those prices represent actual and regularly occurring market transactions on an arms length basis. The quoted market price used for financial assets held by the group is the last trading price. These instruments are included in level 1.

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

Level 2

Money Market instruments - Refer to note 4.1 on the how the fair value is determined. Also refer to Accounting policy note on Fairvalue.

Investment contract liabilities- Refer to note 4.1 on how the fair valuation is determined. Also refer to Accounting policy note on fair values.

Level 3 valuation

Investment Properties - Refer to note 4.4 on how fair value is determined.
Bonds - Refer to note 4.1 on the 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 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.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	Investment in physical properties	Investment in unlisted property companies P'000	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 2015							
Opening balance	106,365	121,493	74,095	39,372	382,146	2,859,408	3,582,879
Adjusted due to IFRS 13	-	-	-	-	-	-	
Total gains/(loss) in comprehensive income	3,708	35,064	-	4,642	-	338,290	381,704
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	156,557	54,095	27,915	380,518	3,190,283	3,919,441
31 December 2014							
Opening balance	109,885	190,796	112,078	79,975	402,284	2,846,060	3,741,078
Adjusted due to IFRS 13	-	-	-	-	-	-	
Total gains/(loss) in comprehensive income	42,360	(69,303)	(37,983)	(1,835)	-	138,283	71,522
Reclassifications	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	159,952	159,952
Issues	-	-	-	7,393	-	-	7,393
Disposals	(45,880)	-	-	-	-	-	(45,880)
Foreign currency translation differences	-	-	-	-	-	-	-
Settlements/Repayments	-	-	-	(46,161)	(20,138)	(284,887)	(351,186)
Closing balance	106,365	121,493	74,095	39,372	382,146	2,859,408	3,582,879

Gains and losses (realised and unrealised) included in profit or loss

	2015 P'000	2014 P'000
Total gains or losses included in profit or loss for the period	381,703	71,522
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(80,836)	31,389

There were no transfers from level 1 to level 2 fair value measurements during the year ended 31 December 2015 (31 December 2014: NIL).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

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 2b)
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)
Bonds	3	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate and cashflows(Refer to note 4.1)
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
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
2014					
Investment in physical properties	106,365	8,296	(8,296)	(8,509)	8,509
Investment in unlisted property companies	121,493	9,476	(9,476)	(9,719)	9,719

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
2015					
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

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
2014					
Policy loans	39,372	3,984	(3,984)	(614)	614
Other loan advances	382,146	10,860	(10,860)	(5,961)	5,961
Bonds	2,859,408	224,277	(224,277)	(44,607)	44,607
Total	3,280,926	239,121	(239,121)	(51,182)	51,182

Financial assets:	Carrying amount P'000	Effect of a 2% increase in unit price P'000	Effect of a 2% increase in unit price P'000
2015	P'000	P'000	P'000
Equity investments	54,095	844	(844)
2014			
Equity investments	74,095	1,156	(1,156)

Investment Policy

The BIHL Group through its asset management company, Botswana Insurance Fund Management Limited (Bifm) that is a traditional investment manager, manages a comprehensive range of distinct asset classes, each against an appropriate benchmark that acts as the neutral position. Bifm is an active investment manager who implement positions that deviate from the benchmark within predetermined constraints. Bifm aims to capture and create value from long-term relative valuation differences, both between asset classes and within an asset class between individual securities.

Bifm implements a value-style bias that complements its investment philosophy. Bifm is of the view that pockets of inefficiency exist in capital markets. This presents opportunities to purchase undervalued securities and hold them until their market value equals or exceeds their intrinsic value. Bifm aims to realize these relative value anomalies over the long term and avoid short term fluctuations or market noise.

Bifm combines investment strategies with the aim of delivering superior investment returns given a level of risk over the long term (3 years and more). For local equity security selection, Bifm uses a bottom-up approach. The bottom-up approach is research intensive and focuses on individual companies as a starting point. Companies, sectors and geographic regions not covered by a portfolio manager's universe may be neglected.

To compensate, Bifm also applies a top-down decision-making process to implement tactical positions. The top-down approach utilises macro-economic data, relative asset class valuations, market sector valuations and the prospects of geographical regions.

Bifm adopts fundamental analysis to place a fair value on individual securities and to identify mispriced securities with upside potential. Fundamental analysis is a primary function and of high importance as it guides us on security-selection.

When selecting offshore managers, Bifm appoints managers with differing styles and approaches. The rationale for using the different styles reflects our appreciation of the fact that style diversification is a risk-management tool as well as a way of taking advantage of the anomalies that could be identified by each style.

Equity - Bifm invests for the long-term, 3 to 5 year period, to maximise returns at the lowest possible risk. Bottom-up stock-picking and fundamental stock analysis coupled with a value-style bias, are used for portfolio construction.

Fixed Income – The approach used for long dated bonds and short-dated money-market instruments differs:

(a) Long-dated Bonds - Bifm believes that value can be created through active duration management, taking into account macro-economic factors such as inflation and interest rates. This reflects a top-down approach for the management of bonds, which is applied both locally and offshore. Bifm utilises fixed and floating instruments as different assets to match different liabilities, to benefit from the shape of the yield curve, and as a tool to manage duration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2015

25.FAIR VALUE DISCLOSURES (CONTINUED)

(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 2015					
Financial assets					
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	10,775,021	1,274,980	-	-	12,050,000
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 balances	-	-	-	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	438,988	11,372,101

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 2014					
Financial assets					
Bonds (Government, public authority, listed and unlisted corporates)	5,427,365	-	-	-	5,427,365
Money market instruments	110,991	-	-	-	110,991
Equity investments	6,013,539	-	-	-	6,013,539
Policy loans and other loan advances	421,517	-	-	-	421,517
Insurance and other receivables	-	199,529	-	-	199,529
Cash, deposits and similar securities	-	658,468	-	-	658,468
Total financial assets	11,973,412	857,997	-	-	12,831,409
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	7,354,668	-	7,354,668
Long term policyholder liability -investment contracts	-	-	4,287,030	-	4,287,030
Related party payables	-	-	-	4	4
Insurance and other payables	-	-	-	450,056	450,056
Short term insurance contract liabilities	-	-	-	6,983	6,983
Total financial liabilities	-	-	11,641,698	457,043	12,098,741

COMPANY	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					
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	-	-	-	27,789	27,789
Related party payables	-	-	-	10,804	10,804
Total financial liabilities	-	-	-	38,593	38,593
31 December 2014					
Financial assets					
Trade and other receivables	-	2,998	-	-	2,998
Related party balances	-	16,450	-	-	16,450
Cash, deposits and similar securities	-	23,258	-	-	23,258
Total financial assets	-	42,706	-	-	42,706
Financial liabilities					
Trade and other payables	-	-	-	25,983	25,983
Related party payables	-	-	-	988	988
Total financial liabilities	-	-	-	26,971	26,971

27. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, BIHL acquired 50% indirect ownership of Botswana Insurance Company Limited (BIC), a Botswana registered short-term insurance company for P123 million. This shareholding does not give the Group control of this investment but will give the Group significant influence in the company. Consequently BIC will be accounted for using the equity method in the consolidated financial statements.

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 31 December 2015

Notice is hereby given to shareholders that the twenty-fifth Annual General Meeting of Botswana Insurance Holdings Limited will be held at Avani Gaborone Hotel Conference Centre, Gaborone Botswana on 30 June 2016 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 accept the BIHL Annual Financial Statements for the year ended 31 December 2015, that has 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:
To approve the dividends declared by the directors on 18 August 2015 and 17 February 2016.

4. Ordinary Resolution 3: Appointment of directors
To confirm the appointment of the following directors appointed to the Board as additional directors in accordance with the provisions of Article 19 of the Constitution of the Company.

3.1 Lieutenant General Tebogo Masire
3.2 Catherine Lesetedi- Letegele

Ordinary Resolution No 3.1: Appointment of Lieutenant General Tebogo Masire as director

Lieutenant General Tebogo Masire (60)
Non-executive director since 21 August 2015

Summary of work experience: 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 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)

Qualifications: Diploma and BSc from Troy State University and an MBA from University of Southern Queensland Australia

Field of expertise: Leadership

The Board recommends that the appointment of this director be and is hereby confirmed.

Ordinary Resolution No 3.2: Appointment of Catherine Lesetedi- Letegele as director

Catherine Lesetedi- Letegele (48)
Executive director since 01 March 2016

Summary of work experience: Catherine Lesetedi - Letegele first joined the BIHL Group in 1992. She has worked as Head of Corporate and High Value Broker Business in Botswana Life. She was appointed as Botswana Life CEO in 2011.

Qualifications: BA in Statistics and Demography (University of Botswana), an MDP from the Graduate School of Business (University of Cape Town), a Certificate in Executive Leadership (Cornell University, New York City) as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies (UNISA). She is an Associate of the Insurance Institute of South Africa (AIISA).

Major external positions, directorships or associations: Funeral Services Group Limited, Botswana Insurance Company Limited, Nico Holdings and Chancellor of Ba Isago University.

Field of expertise: Insurance, Investment and Risk Management

The Board recommends that the appointment of this director be and is hereby confirmed.

5. Ordinary Resolution 4:Re-election of directors
To elect directors in accordance with the provisions of Article 19 of the Constitution of the Company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election

4.1 Mr Chandra Chauhan
4.2 Mrs Batsho Dambe-Groth
4.3 Mr Andre Roux

Ordinary Resolution No 4.1 – Re-election of Chandra Chauhan as director
To re-elect Chandra Chauhan who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

C Chauhan (54)
Independent Non-executive director since 2009

Qualifications: B.Acc (Hons) (University of Zimbabwe), ACA (England & Wales) ACA (BICA).

BIHL committee membership: Audit and Risk, Independent Review

BIHL Group directorships: Botswana Insurance Fund Management Limited

Major external positions, directorships or associations: Managing Director of Sefalana Holding Company Limited

Field of expertise: Accounting, General Business and Financial Management

The Board recommends the re-election of this Director.

Ordinary Resolution No 4.2 – Re-election of Batsho Dambe -Groth as director
To re-elect Batsho Dambe-Groth who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering herself for re-election.

B Dambe- Groth (50) (Board Chairman)
Independent Non-executive director since 2008

Qualifications: : BSc (Hons) Psychology (University of Wales Institute of Science and Technology; Fellow of the USA Fulbright Humphrey Programme.

BIHL committee membership: Human resources and Nominations

BIHL Group directorships: BIHL Insurance Company Limited (Legal Guard)

Major external positions, directorships or associations: Botswana Craft Marketing, Etsha Weavers Group, Boitekanelo, Gems of Kalahari, and Council Member of Maru-A-Pula School.

Field of expertise: Human Resources and General Business.

The Board recommends the re-election of this Director.

Ordinary Resolution No 4.3 – Re-election of of Andre Roux as Director
To re-elect Andre Roux who retires by rotation in terms of the Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

A Roux (54)
Non-executive director since 2013

Qualifications: B.Com (Hons) (Economics) (University of Stellenbosch), EDP from Manchester Business School

BIHL committee membership: Investment, Credit

BIHL Group directorships: Botswana Insurance Fund Management Limited

Major external positions, directorships or associations: Chief Investment Officer of Sanlam Emerging Markets

BIHL Group directorships: Botswana Insurance Fund Management Limited

Field of expertise: Accounting, Financial Markets and Investments; General business; Risk Management

The Board recommends the re-election of this Director.

Please note that Mr H Werth also retire at this meeting but have decided not to offer himself for re-election.

5. Ordinary Resolution 5
To note the total amount of Non-Executive Directors and Executive Directors' remuneration for the financial year ended 31 December 2015.

To note the total amount of Directors' remuneration set out in the BIHL Annual Report, Non-Executive Directors' page 103 and Executive Directors page 192 for the financial year ended 31 December 2015.

6. Ordinary Resolution 6
To approve the remuneration of the auditors for the year ended 31 December 2016.

7. Ordinary Resolution 7: 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.

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 31 December 2015

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.

Rorisang Modikana
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 on at 16:00hrs on, 30 June 2016 at Avani Gaborone Hotel, Conference Centre, Botswana.

I/We ______________________________
of ______________________________
being a shareholder/s of the above mentioned company, 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 2016, 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 2015			
2.	Ordinary resolution number 2 - to approve the dividends declared by the directors on 18 August 2015 and 17 February 2016			
3.	Ordinary resolution number 3 – To appoint the following directors appointed to the Board as additional directors in accordance with the provisions of Article 19 of the Constitution of the Company, being eligible and offering themselves for re-election. 3.1 - Lieutenant General Tebogo Masire			
	3.2 - Catherine Lesetedi- Letegele			
4.	Ordinary resolution number 4 - To re-elect directors in accordance with the provisions of Article 19 of the Constitution of the Company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election 4.1 Mr Chandra Chauhan			
	4.2 Mrs Batsho Dambe-Groth			
	4.3 Mr Andre Roux			
5.	Ordinary resolution number 5 - To note the total amount of non-executive directors and executive directors' remuneration for the financial year ended 31 December 2015 as disclosed in Notes 19 to the Annual Financial Statements			
6.	Ordinary resolution number 6 - To approve the remuneration of the auditors for the year ended 31 December 2016			
7.	Ordinary resolution number 7 - To appoint auditors for the coming year to 31 December 2016			

Signed at ______________ on the ______________ day of 2016

Signature ______________________________

NOTES TO FORM OF PROXY

for the year ended 31 December 2015

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 2015, 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 provide 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 2015 results	04 March 2016
Annual report sent on or about	08 June 2016
Annual General Meeting	30 June 2016
Interim results published	August 2016
Dividends	
2015 Final dividend payment	15 April 2016

Notes to form of proxy

1. A shareholder may insert the name of a proxy or names of two alternate proxies with or without deleting "the Chairman of the General Meeting", such a deletion must be initialled by the shareholder. The person, whose names appears first on the form of proxy and has not been deleted, will be entitled to act as a proxy to the exclusion of those whose names appear below his/hers.

2. A shareholder's instructions to the proxy must be indicated by the insertion of a cross or a tick or the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, but the total of the votes cast and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the shareholder or his proxy.

3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Office Park Plot 66458, PO Box 336, Gaborone Botswana, or faxed +267 3973 657 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.