BIHL GROUP

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

BIHL GROUP

40 YEARS

1975 2015

ANNIVERSARY

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INTRODUCTION

STRATEGIC REVIEW

OPERATIONS REVIEW

Over the past four decades, we have grown into one of Botswana's leading companies, touching millions of lives. Through our various subsidiaries, the BIHL Group has supported Batswana and helped them improve their lives and the lives of others.

The results presented in this Annual Report are based on the requirements of the Companies Act.

49 years of our heritage means 40 years of incredible people working to make BIHL Group what it is today.

SUSTAINABILITY

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SUSTAINABILITY DRIVING

We value sustainability as an integral part of development and a key driver of innovation.

GOVERNANCE

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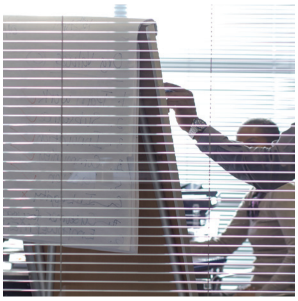
CONTINUITY

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

ANNUAL FINANCIAL STATEMENTS



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FURTHER READING

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INTRODUCTION TO THE GROUP

WE ARE PLEASED TO SHARE WITH YOU, VALUED FRIEND OF BIHL, THE 40TH ANNIVERSARY ISSUE OF THE BIHL GROUP ANNUAL REPORT.

With this issue, we commemorate 40 years of heritage; 40 years of a narrative steeped in culture, legacy, growth and development. This is the product of the efforts of 360 employees across the Group, a testament to their passion and commitment towards ensuring value for you as an integral stakeholder of BIHL.

When BIHL first opened its doors in 1975, there was a clear focus towards ensuring that we achieve and grow the value we offer our shareholders. As our story unfolded further, this dedication only grew stronger and more focused. Our Strength in Numbers grew with time, and, with the support of so many, we are able to now look back at 40 years of uplifting Batswana, nurturing our business, our community, and our nation's economy.

As you peruse this Report, and journey further into the story of BIHL Group, we thank you for being a part of that strength. We hope you will see that the confidence and trust you have placed in our hands has, and will continue to be rewarded.

CORPORATE INFORMATION

ADMINISTRATION

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

Registered Office
Plot 50374 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
Gaborone
Tel: +267 364 5100; Fax: +267 390 6386
www.botswanalife.co.bw

Botswana Insurance Fund Management Limited
Block A: Fairgrounds Office Park
Private Bag BR 185
Gaborone
Tel: +267 395 1564; Fax: +267 390 0358
www.bifm.co.bw

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

ABOUT THIS REPORT

Committees

Audit & Risk Committee
Investment Committee
Human Resources Committee
Independent Committee
Nominations Committee

+ Executive ++ Non-Executive +++ Independent Non-Executive

Referencing

Further Reading
Available online
Case Study

Sections

Introduction
Strategic Review
Operations Review
Sustainability
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Annual Financial Statements

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. It is a reflection of who we are.

OUR CORE BUSINESS

THE BIHL GROUP

The Corporate Office of the BIHL Group is responsible for centralised functions that include strategic direction, Group financial and risk management, Group marketing and communications, Group human resources and information technology, corporate social investment and general Group services.

Life Insurance	Botswana Life Insurance Ltd - 100% - Life insurance
Asset Management	Bifm Holdings Botswana Ltd - 100% • Botswana Insurance Fund Management Ltd (Bifm) 100% - Asset management • Khumo Property Asset Management (Pty) Ltd - JV - 50%- Property management • Photon Private Equity Management Company - 100% - Dormant • KYS Investment (Pty) Ltd- 62.9% - owns 20% of Gaborone Sun • Bifm Holdings & Financial Services Ltd (Isle of Man) - 100% • Quantum Assets Zambia Ltd - 49% Property Development • African Life Financial Services (Zambia) Ltd - 49% - Asset management and Employee benefits Bifm Unit Trusts (Pty) Ltd - 100% - Retail collective investments
Short term Insurance	BIHL Insurance Company Ltd - 100% - Short term insurance products (Legal Guard)
Others	- Genebase Holdings (Pty) Ltd - 100% - Dormant - BLI Investments (Pty) Ltd - 100% - Letshego Holdings Ltd - 23.26% - Micro- lending - Funeral Services Group - 33.97% - Funeral products - Botswana Life Properties (Pty) Ltd - 100% - Dormant

GROUP FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Operating profit increases by **4%** to

P287MIL

Embedded value increases by **17%** at

P3.8BN

Value of new business increases by **35%** to

P148.2MIL

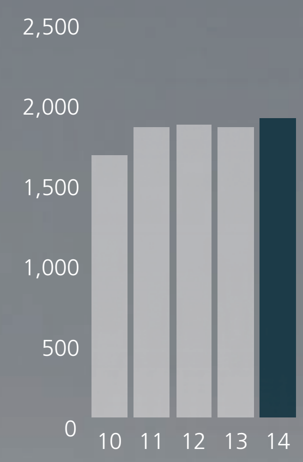
Assets under management increased by **7%** to

P28.9BN

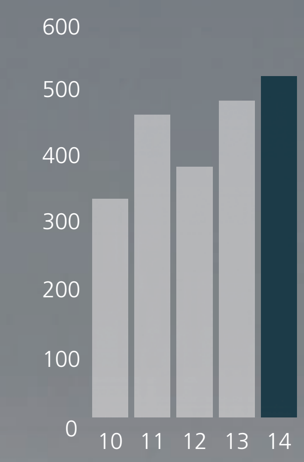
FOR MORE INFORMATION TURN TO **PAGES 40-41**

	31-Dec-14 P'000	31-Dec-13 P'000	% Change
Group summary			
Premium income (net of reinsurance)	1,987	1,878	6%
Value of new business	148	110	35%
Operating profit	287	277	4%
Total profit	520	495	5%
Assets under management	28,900	27,100	7%
Ordinary shareholders' equity	2,686	2,405	12%
Total assets	14,855	14,068	6%
Embedded value	3,824	3,260	17%
Productivity			
Operating expenses to premium income and asset management fees	15%	14%	
Selling expenses to premium income	13%	11%	
Shareholder investment returns to average shareholder equity	1%	1%	
Return on embedded value	24%	24%	
Solvency and liquidity			
Capital adequacy cover (times) - Life business	11.29	9.25	
Dividend cover on core earnings** (times)	1.48	3.15	
Ordinary share performance			
Basic earnings thebe per share	183	183	0%
Diluted earnings thebe per share	181	181	0%
Dividend thebe per share - interim	42	15	180%
- final proposed	45	35	29%
Embedded value thebe per share	1,400	1,194	17%
Trading prices (thebe per share)			
closing price	1,151	1055	9%
high	1,151	1065	8%
low	1,054	1023	3%
Price earnings ratio	6.29	5.78	9%
Domestic Companies Index (DCI)	9,501.60	9,053.36	5%
Number of shares in issue ('000)	281,071	281,071	0%
Number of shares traded ('000)	19,604	23,329	(16%)
Market capitalisation (P million)	3,235	2,965	9%
Number of shareowners	2,873	2,922	(2%)
Earnings yield (%)	16.60	17.49	(5%)
Dividend yield (%)	7.91	4.55	74%

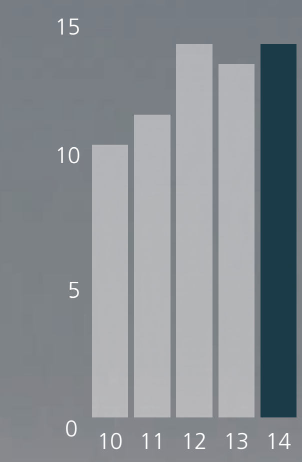
PREMIUM INCOME
Pula million



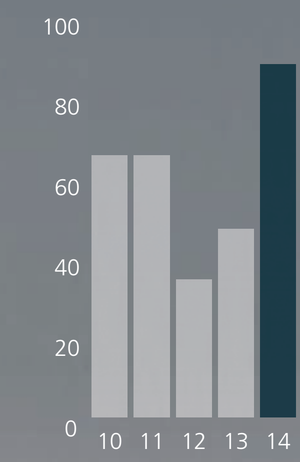
PROFIT AFTER TAX
Pula million



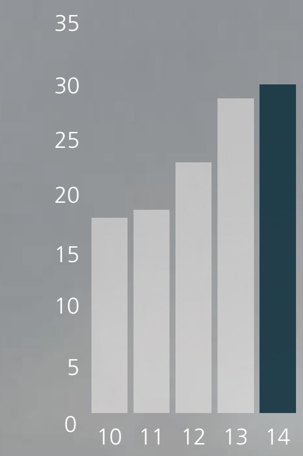
INVESTMENTS
Pula billion



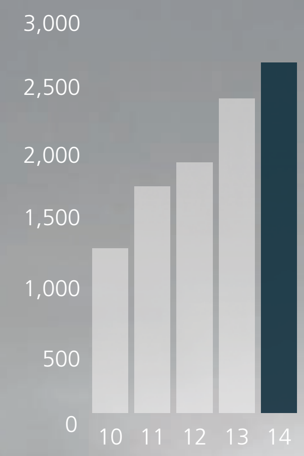
DIVIDENDS PER SHARE
Thebe



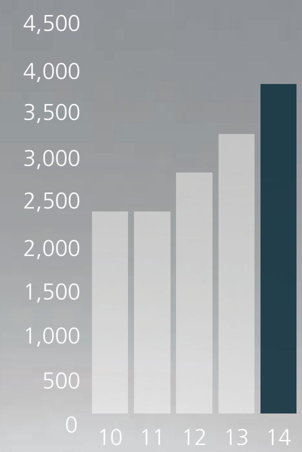
ASSETS UNDER MANAGEMENT
Pula billion



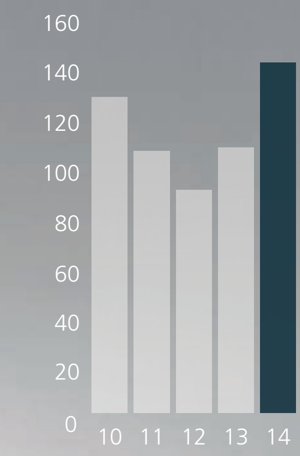
SHAREHOLDER EQUITY
Pula million



EMBEDDED VALUE
Pula million



VALUE OF NEW BUSINESS
Pula million



TEN YEAR REVIEW

	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000
GROUP CONSOLIDATED INCOME STATEMENT		
Continuting operations		**Restated**
Net premium income	1,986,683	1,878,026
- Recurring	970,724	914,650
- Single	1,015,959	963,376
Fee income	110,915	98,039
Fair value gains on investment properties	-	-
Investment income	972,569	594,856
Net fair value/loss on sale of subsidiary	(15,878)	-
Net (losses)/gains from financial assets held at fair value through profit or loss	(161,013)	2,343,127
Total revenue	2,893,276	4,914,048
Net insurance and investment contract benefits and claims	(1,944,801)	(3,995,068)
Policyholder benefits paid	(1,192,394)	(1,054,527)
Change in liabilities under investment contracts	(205,052)	(1,719,987)
Change in liabilities under insurance contracts	(547,355)	(1,220,554)
Expenses	(575,135)	(524,857)
Selling expenses	(258,899)	(244,410)
Administration expenses	(316,236)	(280,447)
Profit before share of profit of associates and joint venture	373,340	394,123
Share of profit of associates and joint venture	253,618	189,202
Profit before tax from continuing operations	626,958	583,325
Income tax expense	(107,495)	(84,621)
Profit from continuing operations	519,463	498,704
Discontinued operations		
Loss after tax for the year from discontinued operations	(14,750)	(3931)
Profit on sale of short-term business	932	-
Loss for the year from discontinued operations	(13,818)	(3,931)
Profit for the year	505,645	494,773
Earnings per share (thebe)		
- basic	183	183
Gross dividends per share (thebe)	87	50
Weighted average number of shares in issue ('000)	273,046	269,779

"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 P626 million in profits before tax in 2014. 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	9 months to 31-Dec-05 P'000
1,949,585	1,767,046	1,620,512	1,253,413	958,636	791,281	678,983	450,647
887,972	877,636	754,096	682,577	565,313	447,885	371,750	255,517
1,061,613	889,410	866,417	570,836	393,323	343,396	307,233	195,130
74,700	110,944	137,249	120,623	121,308	110,316	81,466	51,429
	-	-	-	8,768	80,682	23,221	-
628,915	749,577	470,190	479,984	463,214	604,233	490,223	117,186
6,075	33,785	-	-	-	-	-	-
452,917	134,323	(180,785)	1,002,835	(2,006,255)	1,178,752	1,823,525	1,498,082
3,112,192	2,795,675	2,047,167	2,856,855	(454,329)	2,765,264	3,097,418	2,117,344
(2,314,707)	(1,935,869)	(1,182,594)	(2,178,644)	1,012,143	(1,907,840)	(2,516,038)	(1,777,289)
(904,175)	(907,459)	(712,524)	(524,344)	(418,695)	(343,149)	(257,557)	(149,194)
(383,646)	(400,986)	(132,674)	(850,960)	1,534,843	(1,038,206)	(1,700,829)	(1,299,982)
(1,026,885)	(627,424)	(337,396)	(803,342)	(104,008)	(526,488)	(557,652)	(328,113)
(508,636)	(465,265)	(534,852)	(447,815)	(332,115)	(257,737)	(190,604)	(132,399)
(219,165)	(219,687)	(297,649)	(245,028)	(165,735)	(118,067)	(73,241)	(51,124)
(289,471)	(245,578)	(237,203)	(202,787)	(166,380)	(139,670)	(117,363)	(81,275)
288,849	394,540	329,721	230,397	225,698	599,687	390,776	207,656
196,482	133,872	72,217	26,821	9,802	4,001	2,304	3,083
485,331	528,412	401,938	257,217	235,500	603,688	393,080	210,739
(90,936)	(57,083)	(69,456)	(19,544)	(14,037)	(49,867)	(77,021)	(38,150)
394,395	471,329	332,481	237,672	221,462	553,820	316,059	172,589
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
394,395	471,329	332,481	237,672	221,462	553,820	316,059	172,589
146	174	122	87	77	206	119	65
35	66	66	77	56	56	42	28
268,110	265,812	263,979	261,967	262,567	259,519	259,833	259,291

"In 2014, BIHL paid a gross divided of 87 thebe, a record dividend for the Group. The lowest divided over a 10 year window was 28 thebe in 2005."

TEN YEAR REVIEW
(CONTINUED)

	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000
GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Property and equipment	20,138	20,827
Intangible assets	122,410	150,898
Investments	13,848,721	13,033,188
Trade and other receivables	205,252	282,154
Cash deposits and similar securities	658,468	580,675
Total assets	14,854,989	14,067,742
Ordinary shareholders' equity	2,686,067	2,405,401
Non-controlling interests	18,569	34,912
Policyholder liabilities	11,641,698	11,123,238
- insurance contracts	7,354,668	6,809,709
- investment contracts	4,287,030	4,313,530
Deferred tax liability	33,209	23,790
Trade and other payables	475,446	480,400
Total equity and liabilities	14,854,989	14,067,742
GROUP CONSOLIDATED STATEMENT OF CASH FLOWS		
Cash generated from/(utilised in) operating activities	290,693	(4,427,312)
Interest received	428,116	453,687
Tax paid	(54,004)	(94,206)
Net dividends (paid)/received	(21,786)	96,202
Cash flow from operating activities	643,019	(3,971,630)
Cashflow (utilised in)/from investing activities	(565,225)	3,791,760
Net cash flows (utilised in)/generated from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	77,794	(179,870)
Cash and cash equivalents at the beginning of the year	580,674	760,539
Cash and cash equivalents at the end of the year	658,468	580,674

"The total assets for the Group have maintained a steady upward trend. In 2005, the value was P6.9 billion. Today, this figure is rapidly approaching the P15 billion mark."

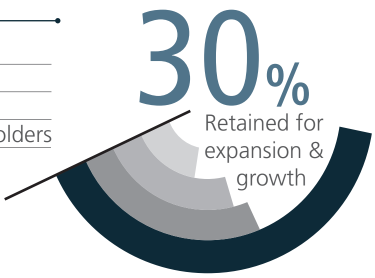
Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000	Year to 31-Dec-06 P'000	9 months to 31-Dec-05 P'000
10,911	12,561	15,854	18,487	16,890	13,962	20,666	43,873
154,001	146,735	140,782	82,622	79,821	16,337	14,649	15,610
14,281,694	11,111,149	10,428,159	9,648,070	7,880,357	10,015,626	8,876,477	6,767,58
209,722	209,360	206,991	218,458	165,689	65,764	62,004	91,281
760,539	1,248,600	1,376,228	1,414,988	1,384,478	672,170	255,198	7,287
15,416,868	12,728,405	12,168,015	11,382,626	9,527,235	10,783,859	9,228,994	6,925,637
1,944,961	1,690,795	1,374,259	1,261,805	1,331,035	1,317,057	849,136	644,588
33,651	36,050	31,588	35,042	31,095	55,006	21,172	17,723
12,966,214	10,587,045	10,311,402	9,762,230	7,819,021	9,129,979	8,140,007	6,114,114
5,592,069	4,573,613	3,957,129	3,633,013	2,817,683	2,683,973	2,157,459	1,599,913
7,374,144	6,013,433	6,354,273	6,129,217	5,001,338	6,446,006	5,982,548	4,514,201
17,939	12,726	19,050	21,090	49,760	70,246	50,664	17,494
454,103	401,789	431,716	302,459	296,324	211,571	168,015	131,718
15,416,868	12,728,405	12,168,015	11,382,626	9,527,235	10,783,859	9,228,994	6,925,637
1,785,568	(85,378)	937,655	2,123,616	(1,109,328)	1,184,913	106,098	134,266
329,167	425,096	45,502	35,115	74,364	45,495	32,502	85,280
(106,695)	(69,253)	(59,179)	(40,263)	(46,656)	(44,276)	(50,044)	(32,153)
13,790	65,353	(205,307)	(240,246)	(157,220)	(152,840)	(88,610)	(48,438)
2,021,829	335,818	718,671	1,878,222	(1,238,840)	1,033,292	(54)	138,955
(2,509,890)	(463,446)	(757,432)	(1,847,712)	1,951,148	(616,320)	(954,666)	(138,470
-	-	-	-	-	-	-	(432)
(488,061)	(127,628)	(38,761)	30,509	712,308	416,972	(954,720)	485
1,248,600	1,376,228	1,414,988	1,384,479	672,170	255,198	1,209,918	7,234
760,539	1,248,600	1,376,228	1,414,988	1,384,478	672,170	255,198	7,287

VALUE ADDED STATEMENT

	Dec 2014 P'000	Dec 2013 P'000
VALUE ADDED		
		Restated
Income from operations	2,273,175	2,074,157
Operating expenditure	(575,135)	(524,857)
Policyholder benefits paid	(1,192,395)	(1,054,527)
	505,645	494,773
VALUE DISTRIBUTED		
To employees		
Salaries, wages and other benefits	148,709	125,975
To ordinary shareholders		
Dividends - Normal	244,531	140,535
To minority shareholders	6,108	2,273
To Government		
Taxation	107,495	84,621
To expansion and growth		
Reinvested in the business for future growth	(26,462)	122,592
Amortisation	7,678	8,307
Depreciation	6,749	4,458
Deferred taxation	10,837	6,011
	(1,198)	141,368
	505,645	494,773
Summary		
Employees	30%	25%
Shareholders	48%	28%
Minority shareholders	1%	0%
Government	21%	17%
Retained for expansion and growth	0%	30%
	100%	100%

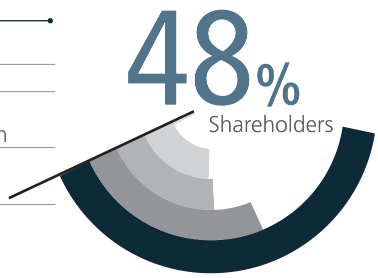
Value added distribution 31 December 2013

- **28%** Shareholders
- **25%** Employees
- **17%** Government
- **0%** Minority shareholders



Value added distribution 31 December 2014

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



SHARE ANALYSIS - ORDINARY SHARES

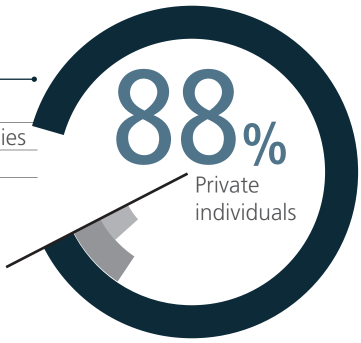
	SHAREHOLDERS		SHARES HELD	
	Number of holders	% of holders	Shares held	% of issued shares
1- 5,000	2,197	76.47%	2,094,532	0.84%
5,001-10,000	234	8.14%	1,625,462	0.70%
10,001- 50,000	307	10.69%	6,697,739	2.57%
50,001-100,000	39	1.36%	2,764,606	0.97%
100,001- 500,000	67	2.33%	15,320,515	6.26%
500,001 - 1,000,000	10	0.35%	6,517,145	3.19%
OVER 1,000,000	19	0.66%	246,050,653	85.47%
Total	**2,873**	**100.00%**	**281,070,652**	**100.00%**

Top ten shareholders		
FNB NOMINEES (PTY)LTD RE:SIMS BPOPF 10001009	4,346,478	1.55%
FNB NOMS BW (PTY) LTD RE: BIFM BPOPF ACTIVE 10001025	5,314,603	1.89%
FNB NOMS BW (PTY) LTD RE:FAM BPOPF1-10001028	5,846,592	2.08%
STANBIC NOMINEES RE: BIFM	6,435,778	2.29%
MOTOR VEHICLE ACCIDENT FUND	10,735,164	3.82%
FNB NOMINEES (PTY)LTD RE:AG BPOPF10001010	13,263,054	4.72%
FNB BW NOMS (PTY) LTD RE: IAM BPOPFP 10001031	16,403,266	5.84%
AFRICAN LIFE ASSURANCE COMPANY (BOTSWANA) (PTY) LTD	48,603,380	17.29%
SCBN (PTY) LTD SANLAM EMERGING MARKETS:BW000001	116,328,299	41.39%
OTHERS	53,794,038	19.13%
	281,070,652	**100.00%**

	SHAREHOLDERS		SHARES HELD	
	Number	%	Number	%
Corporate bodies	234	8.14%	63,142,757	22.47%
Nominees companies	112	3.90%	201,547,584	71.71%
Trust accounts	4	0.14%	1,576,805	0.56%
Private individuals	2,523	87.82%	14,803,506	5.26%
	2,873	**100.00%**	**281,070,652**	**100.00%**

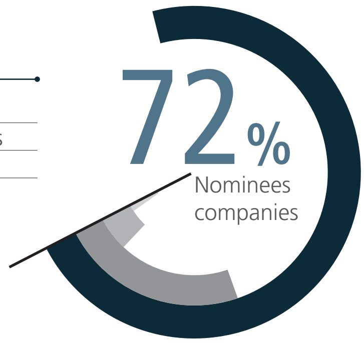
Breakdown of Shareholders 2014

- **8%** Corporate bodies
- **4%** Nominee companies
- **0%** Trust accounts



Breakdown of Shares held 2014

- **22%** Corporate bodies
- **5%** Private individuals
- **1%** Trust accounts

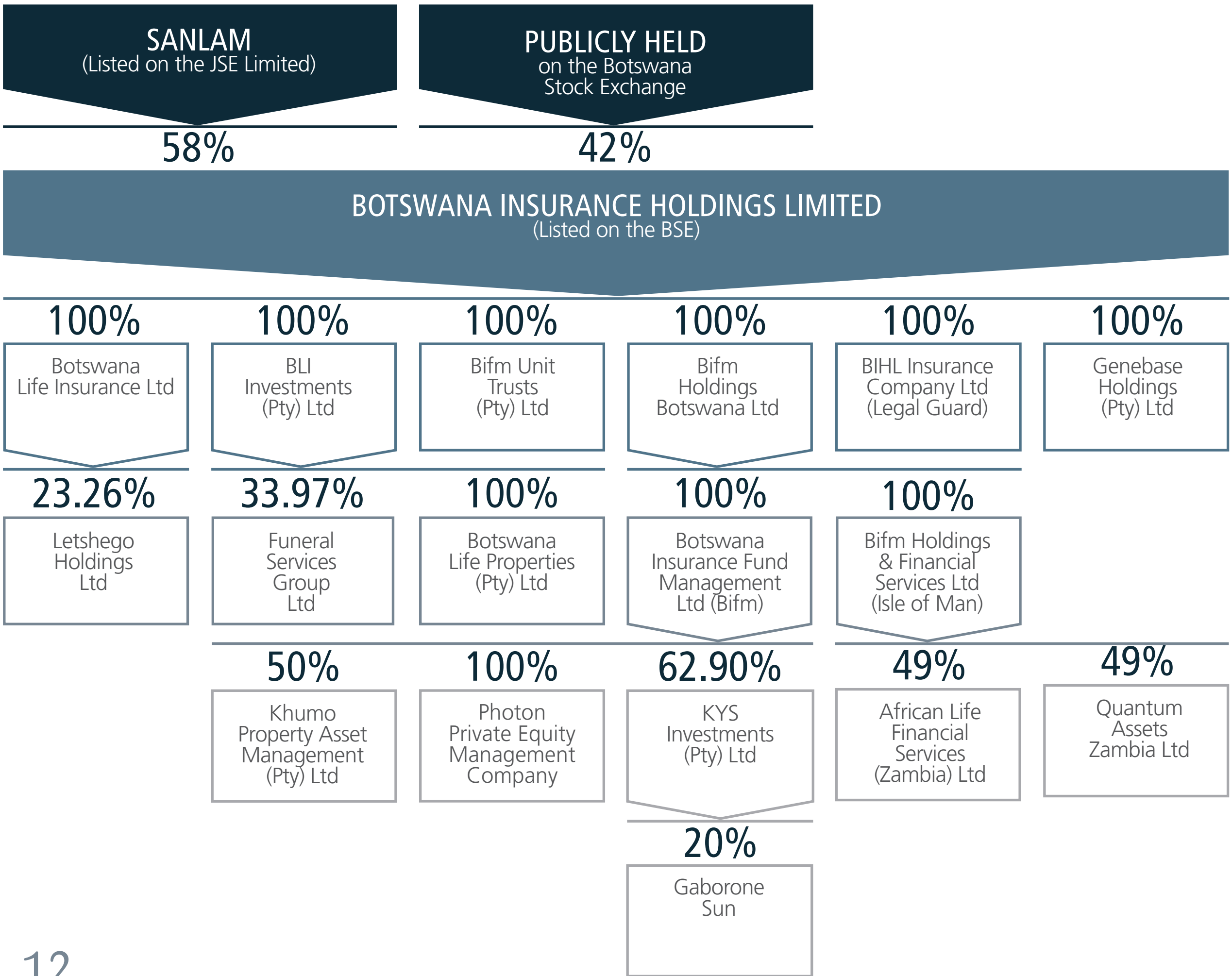


STRUCTURE

WHO WE ARE

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

Its two largest subsidiaries, Botswana Life Insurance Limited and Botswana Insurance Fund Management (Bifm), hold dominant positions in their respective sectors. In line with its diversification and value enhancement strategy, BIHL introduced BIHL Insurance Company, the short term insurance business in 2012 (see more on P88). With this strategy in mind, BIHL is a significant shareholder in Letshego Holdings Limited (LHL) and Funeral Services Group Limited (FSG). The majority shareholder of BIHL with 58% is Sanlam Limited, a multifaceted financial services company that has a broad and significant footprint in Africa. The remaining 42% is held by Botswana citizen entities. In addition to being a financial services provider, BIHL saw it fit to develop a social investment arm that would give back to Botswana communities through the BIHL Trust. BIHL Group contributes 1% of post tax profit to the BIHL Trust and through this social investment organ, BIHL is devoted to promoting self sufficiency and sustainable upliftment of disadvantaged communities in Botswana (see more on P114 to 121).



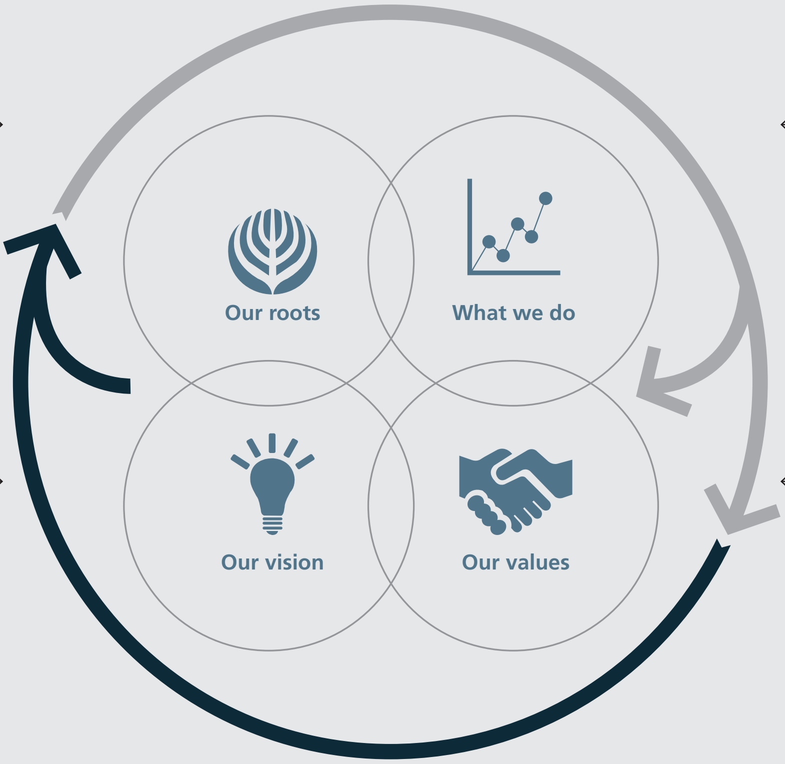
OUR VISION. OUR MISSION. OUR VALUES.

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 branches throughout Botswana.

OUR VISION

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



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.

FOCUSING ON THE FIVE PILLARS

"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," Gaffar Hassam GCEO BIHL. By focusing on our Five Pillar Strategy, we have achieved market-leading growth and have sustained the 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."

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, to create value for customers and shareholders.

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 and Southern Africa Region.

Group synergies

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

Operational efficiencies

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

People

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.

STRATEGY IN ACTION

DIVERSIFYING OUR OFFERINGS

Going forward, the Group will continue on its strategic path to seek opportunities for diversifying its offerings in the financial services sector while protecting and enhancing our existing businesses.

We remain steadfast in our Vision to become a significant broad-based financial services provider in Botswana and Southern Africa. We have long identified that realising this goal will require that we evolve in two particular respects – how and where we do business. This is at the core of guaranteeing our sustainability as a Group. In order to achieve this goal, we need to continue to diversify while at the same time finding innovative ways to further differentiate our brands and their offering in the intensely competitive market.

- The Group remains committed to its strategic aspiration to become a broad-based financial services group, participating in various areas of the financial services sector
- Results of the strategic focus by management in 2014 are visible in the financial performance of the business with the impressive performance
- Besides the financial growth achieved, BIHL successfully launched several programmes and initiatives that will go a long way in attaining future growth. A few notable areas during the year include:
    - Introduction of the Unit Trust business; this relatively new operation has started showing signs of positive growth with the support of Bifm, our asset management business, and the rest of the BIHL Group
    - The investment in Letshego Holdings Limited (LHL) several years ago continues to impress as profits from this business contributed positively to the BIHL Group during the year
    - Shareholding in Funeral Services Group (FSG), a critical partner to the Group, was increased to 34%, positively impacting our profitability
    - Focus on Bancassurance relationships with partners such as BancABC, Letshego and Standard Chartered Bank. Through the relationship with BancABC, the life business launched the LifeRewards Visa loyalty card with an impressively high uptake by clients
    - The business leveraged the investment in technology over the last few years to improve our client focus
    - By carefully managing costs across the Group the business has been able to enhance profitability

A diversified business

The strength of the Group is manifested in many ways, from our diversified portfolio to the incredible characters comprising of our people, their depth of skill, and the many engaging platforms they partake in. It's a narrative of depth and diversity, and one that continues to grow.

40 YEARS
OF THE BIHL GROUP IMPROVING LIVES

40 years ago, BIHL Group began with people - **the first employee and the first customer.**

Over the four decades, we have grown into one of Botswana's leading companies. Our presence, work, products and community activities have quite literally touched millions of lives. Through our various subsidiaries, the BIHL Group has supported Batswana and helped them improve their lives and the lives of others. We are proud of our rich history and reputation of being part of the very essence of what being a Motswana is: Caring, Compassionate, Honest and Kind.

As a business that works with numbers, it is logical for BIHL to believe in them and the strength they represent. However, 40 is now not just a number to us after doing business in Botswana, with Batswana, for Batswana for 40 years. We now look back at our achievements and see more than numbers. We see a business that has been able to truly play its part in contributing to the well-being and development of Botswana. There are many numbers in our history: 1st to bring Public Private Partnership to life, over 14 Billion in Assets today, over 360 employees, Operating profits of P287 million last year…

However 40 is a number we cannot simply add to our great list of numbers. It is far too important to us. 40 represents a point in the life of an adult when one totally moves from youth into adulthood. 40 is a significant number when achievements become the measure by which we appreciate what we have built. 40 years of adding value to customers, investors, shareholders, clients and a nation is, in a word, heritage. 40 years ago, BIHL began with people; today, people remain at the heart of who we are and what we do.

The following pages do not do full justice to our rich and broad history. But then again, when have a few pages been able to totally document or describe the life of anything totally and do it justice? We thus accept that we may have missed a few milestones. This does not in anyway suggest milestones; we have missed are not important to us. Quite the contrary, having so many milestones to choose from once again provides us with more evidence of the vast numbers we have. It is an indication of the one constant we have at BIHL, which is that we will continue to push the envelope. We will always strive to shape our future as we react to the dynamic world that we work and live in. Over the years this is what we have become known for.

We have tried to plot the evolution of BIHL Group as we know it today, from its very early days. It was August 1975 when the then Botswana Insurance Company (BIC) was formed as a subsidiary of the Botswana Development Corporation (BDC). Many have come forward with amazing anecdotes to help us better understand what happened next. The tapestry of our history could never have been brought to life without their support and institutional memory. For that we have to thank them all. We trust you will enjoy the following pages as much as we enjoyed assembling the work.

BIHL GROUP 40 YEARS 1975 2015

"IT'S BEEN A TRUE PRIVILEGE TO HAVE BEEN A PART OF THE INCREDIBLY RICH BIHL STORY"

DR. HAPPY FIDZANI
EX BOARD MEMBER,
EX CHAIRMAN, BIHL TRUST

"As a young man I bought a Life Insurance Policy in the early 80s. I retired last year as my Policy matured. Not a single issue came up as my Policy started paying out. Botswana Life [BIHL sic], are a company that can be trusted with our money years in advance. They keep their promises"

T R PHIRI (RETIRED)

"The FSG family extends its heartfelt congratulations to the BIHL Group on this momentous milestone of 40 years. It has been a great pleasure to be associated and build with you many years of a solid professional relationship. Best wishes."

MIKE NIKOLIC, GROUP MD, FSG

"It has been an honour to be associated with this amazing organisation for all these years. Well done to BIHL and here is to 40 more years."

MARTIN MAKGATLHE, MOTSWEDI SECURITIES

"I hold an MBA among other qualifications which I achieved through support from the Company in developing my qualifications. Working here has been more than just a job, it has been an honour."

GAEYO MOSHODI
Compliance & Employee Relations Specialist, BIHL (Joined 1997)

"It was 20 years ago when I joined Botswana Life. I have seen Botswana Life evolve throughout the years into the trend setter it is today. I look forward to seeing what the BIHL Group will look like 40 years from now."

THUDISO MOSARWA
Collections Supervisor, Legal Guard (Joined 1995)

"BIHL Group, a true pioneer in the Asset Management and insurance industry of Botswana. We always look forward to their innovative products and business ventures."

VICTOR SENYE, DIRECTOR, TREDINNICK

"CONGRATULATIONS TO THE TEAM AT BIHL GROUP ON FORTY YEARS OF WORKING TO HELP GROW THE INDUSTRY AND THE NATION. THE ROLE THAT THEY PLAY IN THE CORPORATE AND COMMUNITY SPACE IS EXEMPLARY."

LEINA GABARAANE, CE, STANBIC BANK BOTSWANA.

"It would be hard to imagine the Insurance Sector without BIHL. Their brands are household names. Botswana Life, Bifm and Legal Guard are famous across Botswana. Well done to them and let's hope the next 40 years are as successful."

SHIKE OLSEN, MANAGING EDITOR, BOTSWANA GAZETTE NEWSPAPER

OUR HISTORY: PART 1 - THE BIRTH OF THE BIHL GROUP

1975

BIC IS BORN
THE JOURNEY BEGINS

April: Legislation passed to establish a central bank with the framework to govern financial institutions that will fall under

its supervision. In August 1975, a young calf was born in the form of the Botswana Insurance Company, a subsidiary of the Botswana Development Corporation (BDC).

The metaphorical Moraka was blessed with the start of what was to grow into a bull called Botswana Insurance Holdings Limited (BIHL) Group, on course to become a leading broad-based financial services company.

The birth of this calf marked the beginning of what would be a vibrant narrative beyond expectation, and the start of a heritage that would only strengthen in time.

OUR HISTORY: PART 1

THE BIRTH OF THE BIHL GROUP

As with the building of any great brand or business, the strength of the foundation created is key. The foundation created by the then Botswana Insurance Company, the 'wet nosed god' as cattle were colloquially called, was one that would spell an almost immeasurably fortuitous growth.

As with many humble beginnings, anything was possible and the young calf could have gone in any direction. It was through visionary leadership, an impassioned team, and a loyal customer following that the young calf set out to change the very landscape of the industry. Add to this the unwavering determination to become the kind of business that would make a real impact for Batswana, changing the very nature of what it means to be a proudly Botswana business.

As Botswana grew, so did Botswana Insurance Company by giving Batswana peace of mind in the form of insurance policies and administrating pension funds.

As it grew, the young bull carried out the hard ploughing of building up significant funds for future investments. The Moraka began to prosper and the calf matured, now more intent than ever on its drive to diversify the economy and bring true value to its stakeholders.

1977

BIC GETS TO WORK

Botswana Insurance Company sells its first life policy.

1981 ENSURING DIVERSIFICATION FROM THE EARLY DAYS

Botswana Insurance Company starts development of the country's first major residential estate, Tapologo Estates, on behalf of its life and pension funds. This was one of the first residential developments of its kind in that it was inclusive of a wider demographic. The development featured free standing houses, town houses and flats. Young professionals as well as families could be catered for all in one secure development. An additional incentive for potential tenants was the lifestyle enhancing elements within the development.

Tapologo Estate featured communal recreational options such as a swimming pool and tennis courts for use by the residents of the Estate. The investment was funded by the labours of this young bull, in what proved to be a golden opportunity for diversification into the property market.

1987 REDEFINING INSURANCE REGULATING THE INDUSTRY

As Botswana's development and prosperity continued, the country's prosperity watered the roots of development. In 1987, the Insurance Industry Act of Botswana is promulgated, regulating all aspects of insurance in Botswana and requiring separate legal entities for the underwriting of long and short-term insurance businesses. It was a development that would change the very nature of the business environment the young bull would operate in, bringing with it new opportunity for development of the insurance industry.

National Stadium as Botswana celebrated 20 years. BIHL was there with its float (1986).

OUR HISTORY: PART 2 - THE GROWTH

BECOMING A LEADING FINANCIAL SERVICES PROVIDER

The young calf continued to grow and mature with great vigour in a decade marked by incredible growth, a change in the economic and legislative landscape.

Having a much firmer grasp of the pasture around it, the calf would embolden itself to go into new pastures, take on new challenges and seize new opportunities.

The 'wet nosed god' continued in its journey, as the rich narrative of the Group continued to unfold. The Group enhanced its efforts across the board to become a leading financial services provider and a key player within the nation to drive and support sustainable impact and socio-economic development. This was a period that saw the calf embody, more than ever before, its symbolic representation of potential, prosperity and wealth.

1991 "BIHL" IS CREATED AND LISTS ON THE BSE

The young bull bore fruit through the liberalisation of exchange controls in 1991, permitting diversification of investments offshore. Botswana Insurance Company is restructured to separate its general insurance business and life insurance business. The result was Botswana Insurance Holdings Limited (BIHL), a holding company which consisted of Botswana Life Insurance Limited and Botswana General Insurance Limited. BIHL successfully listed in August of the same year on the Botswana Stock Exchange (BSE). The prosperity the bull helped bring about was shared through a 25% shareholding of the company in the hands of 1,500 Batswana, members of the general public. This figure comprised of a combination of individuals and corporate shareholders. Shares were floated at P0.22 and the issue was 273% over subscribed.

An assessor does a claim inspection. This picture was taken around 1991

19 93 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.

"The business continues to handle short-term and long-term insurance."

19 95 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.

19 99 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.

1999. A BIHL team member gives a class of young people an overview of what BIHL does. Our goal is to encourage young people to seek a role in the financial services sector.

OUR HISTORY: PART 3 - CHANGE

A DECADE OF EVOLUTION AND PROGRESSION.

As with any business, entity, and life, the concept of change and evolution is vital.

Change in approach, change in outlook, and indeed change in the very nature of the beast. The third decade of operations of BIHL is characterised largely by this very concept: change. The strategy of the business took on new impetus, as we saw increased involvement in Public Private Partnerships (PPP) to change the landscape of the country itself, as the young bull marked its territory. It changed the very nature of how a concerted effort between stakeholders offers not only potential, but the very realisation of truly impactful platforms. Key heritage milestones were reached and developments established that would go down in history. This was a decade of evolution and progression, as the true value of the young bull became more than apparent.

2000 A TRAILBLAZER IN THE INDUSTRY

With the development of the Group's local information and actuarial systems, BIHL becomes the first company in Botswana to report on the embedded value performance, once again proving to be a trailblazer in the industry and changing the very nature of financial reporting and practice. This brings the Group in line with leading world accounting reporting.

The growth and expansion of the young bull is further evidenced by Botswana Life's investment in Funeral Services Group (FSG) to extend service to policyholders and their families at the time when they most need assistance. In the same year, Bifm expands into Zambia, extending the company's geographic footprint even further.

2001 UPPING THE ANTE

Botswana Life's growth continues to run an impressive course as the business now introduces extended family funeral benefits and the option of automatic premium and benefit increases to counter inflation. This marked a stage when the company upped the ante not only in its offerings to Batswana but in empowering Batswana with the tools towards greater potential for wealth.

Botswana Life launches Khumo 2016, which offers a savings benefit and the ability to select additional risk benefits as required. The product matures in 2016, at the same time of the culmination of the National Vision 2016, to support the Government of Botswana's plans to commemorate the country's 50th anniversary.

2003 BIHL HAS ALWAYS TAKEN THE LEAD ON NATIONAL IMPERATIVES.

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.

An artists impression of the then proposed Town Lodge built at the Airport Junction development.

Bifm
Dynamic Wealth Management

2004 OLDEST ASSET MANAGEMENT BUSINESS IN THE COUNTRY AND THE MOST INNOVATIVE.

This bull does not only pull its own weight in the Moraka, but has now also borne fruit which helps raise Botswana into an African success story.

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.

OUR HISTORY: PART FOUR - LOOKING FORWARD

STRENGTH IN NUMBERS

The rich cultural heritage grown over the years by the Group was inescapable, as the maturing bull continued to prosper.

BIHL would prove itself to be a cornerstone of the financial services industry, a strong player on our nation's stock exchange, and a real change maker within the community at large. The bull would bring returns to its shareholders, work to develop the industry in which it operates, and proffer a truly global standard that cannot be rivaled. The Strength in Numbers that comes from the subsidiaries, the cows in the herd? A collective pool of knowledge, expertise, resources, a strength in customer support, and, indeed, of the passion of the various subsidiaries themselves. It is a part of our culture, at once taking into account the traditions and foundations of a country and yet also using those as a basis upon which to power forward. It continues to weave a narrative of so great a heritage, that the story of BIHL is harmoniously intertwined with the heritage of a nation.

2005 PROUDLY BOTSWANA
LOCALISING MANAGEMENT AND SUBSIDIARIES

The top management of BIHL and its subsidiaries is fully localised with Batswana. BIHL's majority shareholder, African Life Assurance Company Limited, is acquired by Sanlam Limited. Established in 1918, Sanlam is a leading financial services group in South Africa, listed on the JSE Limited and on the Namibian Stock Exchange. In compliance with global corporate governance best practice, Bifm sold its remaining 25% shareholding in Glenrand Botswana to Glenrand M.I.B.

2006 GREATER MARKET SHARE
ENHANCED PRODUCTS

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

2007 COMMUNITY FOCUS UPLIFTING BATSWANA

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

The Trust aims to pioneer and support development initiatives across Botswana for Batswana, aiming to play an active role in the development of the country's future including in the area of education. The Trust's areas of interest include: poverty alleviation; economic empowerment projects; development of human resources through education and training; social welfare services, including youth development; public health; public recreation including sports; rural development and conservation of the environment. Through various initiatives the BIHL Trust aims to ultimately build stronger communities for a better tomorrow. The Trust acts as the CSI vehicle for all subsidiaries of the Group, with an annual contribution of a dedicated 1% of the profits after tax of each subsidiary to the Trust every year.

OUR HISTORY: PART 4 - LOOKING FORWARD
(CONTINUED)

20 08 STRATEGIC PARTNERSHIPS STRENGTHENING THE INDUSTRY

Bifm's first Public Private Partnership (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.

The P54-million aesthetic, face-brick block on the corner of Khama Crescent and Queens Road in Gaborone's Main Mall, has already attracted the jazzy moniker of 'Plot 21' after its physical address. It is the product of a partnership between the Government and a private sector consortium led by Botswana Insurance Fund Management (Bifm). The partnership involved the Government of Botswana which owns the piece of land; Bifm which provided the bulk of the P54-million project financing; and Stocks & Stocks Botswana for the design and construction aspect.

The objective of PPPs is to deliver public services in the most effective way while stimulating the private sector's contribution to economic development, simultaneously allocating risk and return between the parties involved to ensure that the best interests of stakeholders are served. The other shareholders are Stock Building Africa, which led the consortium that constructed Plot 21; Outsourcing Botswana, which is responsible for the management and maintenance of the building through the life of the 10 year concession to 2017. The project at Plot 21 commenced on February 21, 2007 and was completed by June 20, 2008. Plot 21 PPP illustrates the efficiency of this approach to economic development.

Public Private Partnership (PPP) brought to life at Plot 21.

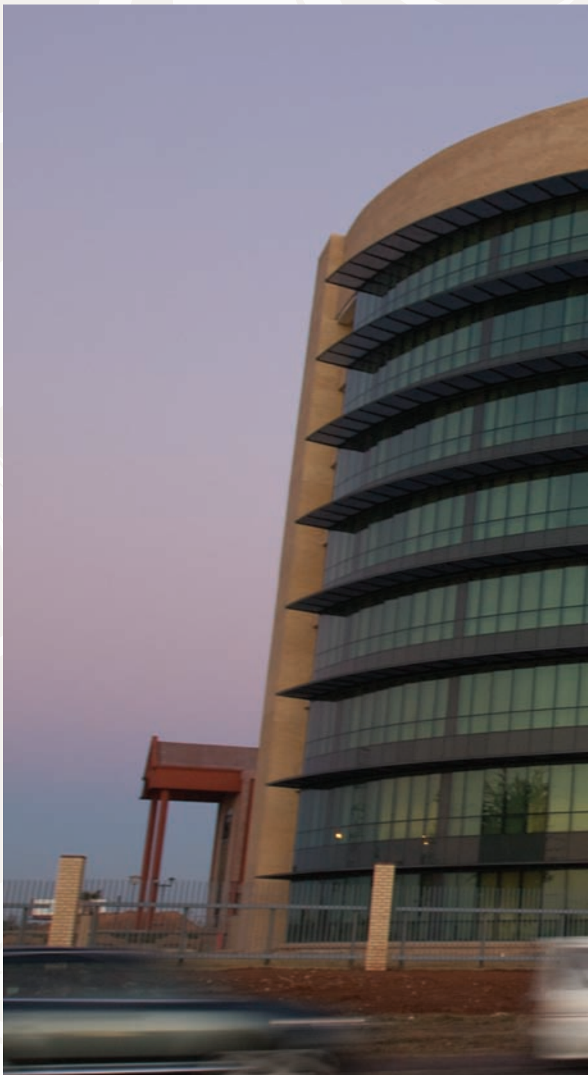
OUR HISTORY: PART 4 - LOOKING FORWARD
(CONTINUED)

"THE COMPLETION OF SADC HEADQUAR Bifm's POSITION PIONEERS OF DEVELOPMENT

2009 PIONEERS OF PROPERTY

A stone's throw away from the New CBD in Phase 2 is a major landmark, which marks the pride of Southern Africa – the new SADC Headquarters. The seven-storey building is the headquarters for the member states in the region. Bifm once more kept its promises by delivering this property on time and within budget. The completion of SADC headquarters consolidates Bifm's position as one of the pioneers of property development in Botswana.

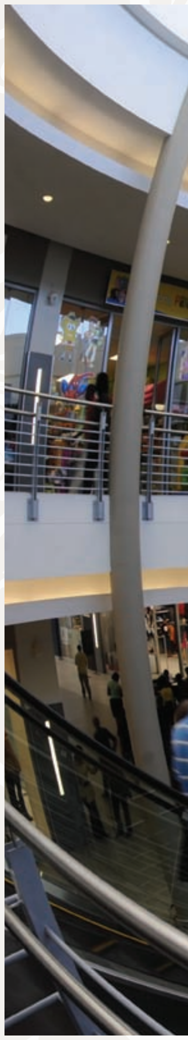
In this year BLIL also launched the Bancassurance distribution channel.



RTERS CONSOLIDATES AS ONE OF THE PROPERTY IN BOTSWANA."

OUR HISTORY: PART 4 - LOOKING FORWARD

(CONTINUED)



2010

MALLS IN BOTSWANA REDEFINED

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

On 26th April 2012, Airport Junction Shopping Centre was officially opened in the Block 10 area in northern Gaborone. The 50 000m^2 retail development features a wide range of fully enclosed retail options which include supermarkets, restaurants, fashion, hardware and furniture stores among other retail outlets.

At the official opening of Airport Junction, the Assistant Minister of Finance and Development Planning, Dr. Gloria Somolekae, lauded the development as "an example of meaningful private sector participation in building Botswana's economy." Dr. Somolekae went on to point out some of the results of the development, including 700 permanent jobs created and bringing brands such as @Home, Checkers and Builders Warehouse to Botswana. Airport Junction is managed by Khumo Property Asset Management which is a joint venture between Bifm and Eris Property Group of South Africa on a 50/50 ownership basis. Khumo PAM assists in the development and manages Bifm's property portfolio which includes Rail Park Mall, amongst others.

OUR HISTORY: PART 4 - LOOKING FORWARD
(CONTINUED)

"THE BULL PROVIDES THE GROUP TO CONTINUE TAKING ALONGSIDE A COUNTRY INTO A REGIONAL

2012 DRIVING CHANGE INTRODUCING HISTORIC DEVELOPMENTS

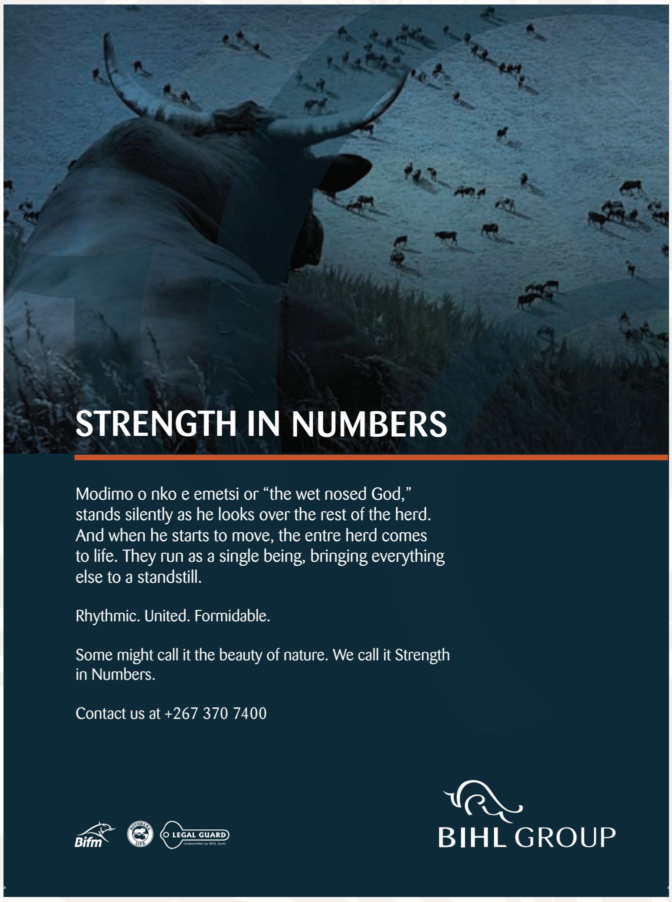
2012 proved to be a year of great change within BIHL and its subsidiaries, marked by a number of key developments and activities.

Amongst these is the historic launch of the new BIHL Corporate Identity, a newly enhanced bull and the "Strength In Numbers" it speaks to, as represented by the subsidiaries of the Group and the wealth of resources and knowledge backing it. The "wet nosed God" that helped start the journey of Botswana and of the Group is the traditional identity of who Batswana are, allowing the BIHL narrative to resonate with that of the heritage of the nation. The bull in particular is not only an important cultural icon but a good omen within the financial services industry. The bull provides the Group inspiration to continue taking bold strides alongside a country that has developed into a regional powerhouse. The bull, moreover, represents the business' strength, stability and its proud Botswana roots. With a unified image there is also an undeniable herding of the sub-brands together under the BIHL banner.

In the same year, the Group saw such key initiatives as the BLIL sponsorship of AFCON football and the inaugural BIHL Trust Thomas Tlou scholarships granted to recipients. 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. As Professor Tlou himself once said, "This is our beloved Botswana, we need to develop it ourselves."

The year also sees the launch of Sure! by BIHL, following the realisation of the need for a specialised business unit that will provide new short-term insurance products driven by innovation, performance and convenience. The subsidiary sees a product offering that aims to cater for both the Personal and Commercial Lines markets.

INSPIRATION
G BOLD STRIDES
THAT HAS DEVELOPED
POWERHOUSE."



OUR HISTORY: PART 4 - LOOKING FORWARD

(CONTINUED)

2013 LANDMARK PROJECTS INNOVATIVE PLATFORMS

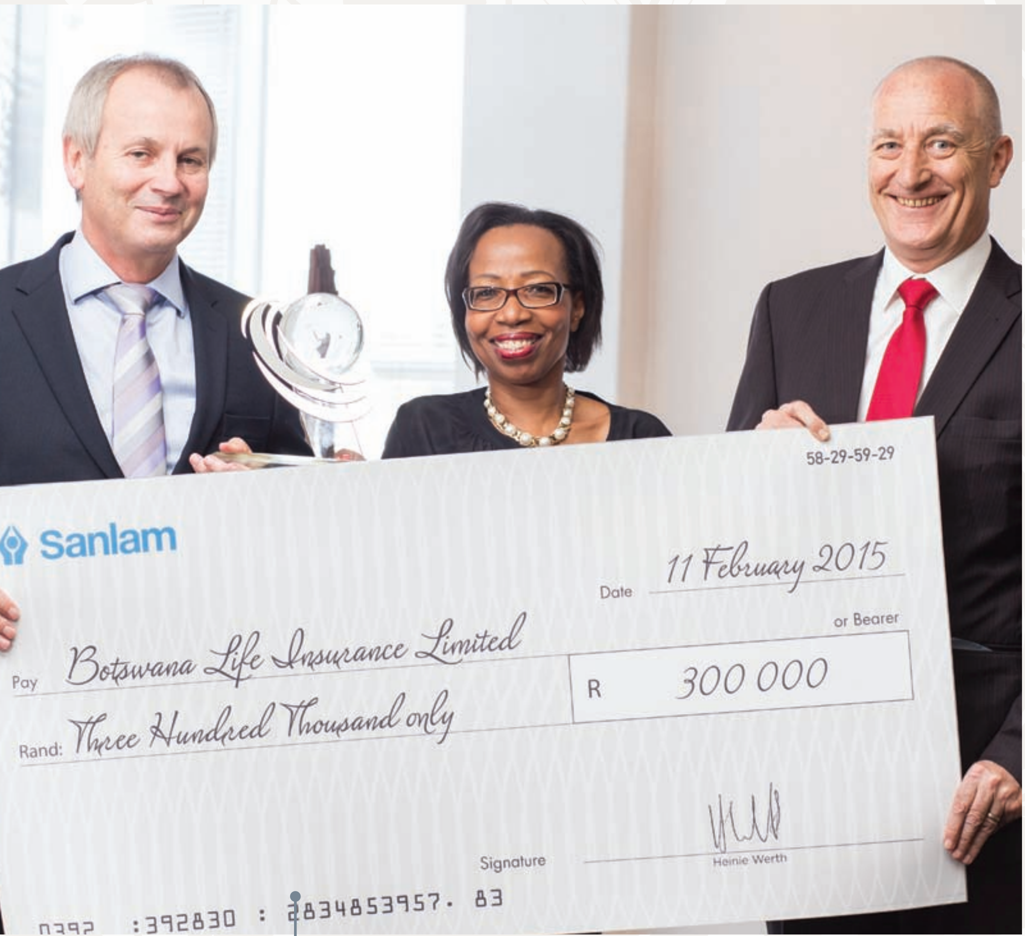
Both Bifm and BIHL Sure! launched new websites in the 2013 financial year.

Bifm extended its offerings to the retail market through the launch of its Unit Trust offering which has since seen impressive uptake. Unit Trusts allow individual investors across all income brackets to invest in listed companies, share in the returns of the stock market, and ultimately grow their wealth. We expect this product suite to continue growing as more clients realise the advantages on offer.

BLIL launched the Botswana LifeRewards prepaid card, which complements our efforts to improve efficiencies and has led to an improvement in claim payment turnaround times. Now our clients can receive their claim payments directly into the card, which they can then use to transact with the same way they would with a debit card. As of 31 December 2013, 7,123 cards with a total value of P26.9 million had been issued.

BIHL Sure! developed a Certificate of Proficiency (COP) Alternate Certificate course offered in-house as a BOTA and NBFIRA accredited legal expense insurance development programme. The certificate programme has been curated and customised to the legal cover as offered by Legal Guard. The first group of 20 members of the BIHL Sure! sales team graduated from the course in 2013.

BIHL Trust completed the construction of the P2.1 million Gamodubu Child Care Trust multi-purpose hall, making the project the largest donation the Trust has ever made since inception in 2007. The newly completed multi-purpose hall was handed over to the Gamodubu Child Care Trust in a ceremony attended by the Assistant Minister of Local Government and Rural Development, the Honourable Botlogile Tshireletso.



As part of the Group's overall strategy to broaden its ability to offer a wide range of financial services and in exploring the most prudent way of remaining in the space, BIC bought out the entire BIHL Sure! General Lines Book, thus leaving only Legal Guard going forward.

The year saw recognition for the Sanlam Emerging Markets Cup of Nations Award.

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

Culmination of the library project through the BIHL Trust, which saw the renovation and refurbishing of libraries in schools across the country. The initiative came as part of the Adopt-A-School programme championed by the Ministry of Education and Skills Development (MoESD). To date, a total of eight schools have seen library refurbishments completed. BIHL Trust also launched, in August 2014, a tri-partite literacy training project with MoESD and Stepping Stones International. The project worked to improve English literacy rates in schools across Botswana. A total of 77 teachers were trained as part of the project, held over the course of two months. The first nine-day "Breakthrough Literacy" training included 36 teachers, reception through standard 3, while 41 standard 4 through 7 teachers attended the second eight-day session. The project, which served as a pilot, has been hailed as a tremendous success.

2014

STRATEGIC TRANSACTIONS INVESTING IN THE FUTURE

May 2014 saw a transaction between BIHL Sure! and Botswana Insurance Company (BIC), wherein BIC purchased BIHL Sure's General Lines business. The transaction came as a result of the realisation that the expected performance of BIHL Sure! had not been at the rate that had been planned at inception, with expectations not met in the General Lines space in particular. This was largely as a result of the slowing down of the Botswana economy shortly after the launch of BIHL Sure!, as well as the mature market found, with over 12 known players in the General Lines space ranging from a market penetration of 22% to as low as 1%.

2

STRATEGIC REVIEW

AT BIHL GROUP, NOTHING IS BEYOND REVIEW. NOTHING IS IMMUNE FROM REASSESSMENT FOR RELEVANCE AND ALIGNMENT TO MARKET AND SHAREHOLDER EXPECTATION.

BIHL GROUP HIGHLIGHTS

360 STAFF

240,000

New IT platform to mine client data across all our subsidiaries, opening up opportunities to grow our existing customers. This is an important distinction, particularly when one considers that Botswana Life has 240,000 customers.

280,000 Individual policies

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

BIHL GROUP 40 YEARS 1975 2015

40 YEARS

BIHL is based in Botswana and has a presence across the Southern African region, including through associated companies such as Letshego and FSG. BIHL has come a long way since inception, now serving as **Botswana's oldest insurance group** and having grown to comprise of three key subsidiaries: Botswana Life Insurance Limited, Botswana Insurance Fund Management (Bifm) and BIHL Insurance Company Limited.

98% Localised

880 Agents & Brokers

Market Share

75% BLIL
38% Bifm
85% Legal Guard

SERVING THE COMMUNITY

1% of post tax profit

BIHL Board has committed 1% of post-tax profit arising out of wholly owned Botswana subsidiaries, being Botswana Life Insurance Limited, Bifm and BIHL Insurance Company Limited to the BIHL Trust.

The Trust is committed to supporting development initiatives that are directed towards the alleviation of poverty, reduction of suffering as well as the development of communities in Botswana.

CSI CAN BE FOUND ON PAGES **114-121**

THE BIHL TRUST'S AREAS OF INTEREST ARE:

1 Poverty alleviation

2 Economic Empowerment projects

3 Development of human resources through training and education

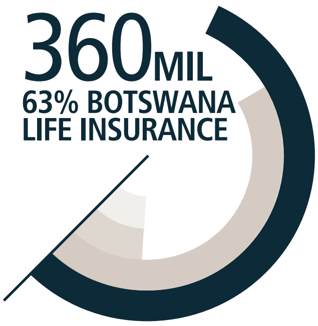
4 Social welfare services including youth development

5 Public recreation including sports

6 Rural development

FOR MORE INFORMATION TURN TO **PAGES 28-29**

COMPOSITION OF THE GROUP EARNINGS



- 44% Associates
- 9% Bifm
- (16%) Other

STRATEGIC PRIORITIES FOR 2014

FOCUS ON CAPITALISING the Group synergies by looking at managing costs, exploring new investments and deploying capital efficiency

ENDEAVOUR TO FOCUS ON EXISTING PROJECTS for BIHL Trust with a view to making them self sufficient and sustainable

EXTENDING OUR PRODUCT OFFERINGS, providing excellent customer service, remaining profitable, increasing market share and growing embedded value

HOW WE LEVERAGE OFF OUR "STRENGTH IN NUMBERS"

As we strive to leverage wherever possible our "Strength in Numbers" we are confident that our core approach will usher us into an even greater future for the Group.

We are constantly humbled by the magnitude and size of the BIHL Group. The impact it has on people's lives. The role it plays in the Financial Services sector. We take our role very seriously, as with growth comes responsibility. Responsibility to the community, which we operate in. Responsibility to our shareholders who, rightly, expect us to operate a sustainable and profitable business. We believe that our strategy of using our size to our advantage provides us with the opportunity to meet our obligations. "Strength in Numbers" is not just a tag line for us at BIHL. It is how we do business. We are able to leverage off our healthy balance sheet, leverage off the depth of skills in our people and leverage off 4 decades of operational experience. This is how we utilise our strength to benefit all of those who have a vested interest in BIHL Group.

GROUP CHAIRMAN'S REPORT

I'm proud of the company we are in the process of becoming when we look forward to the next 40 years.

I am delighted and honoured to present my fifth Chairman's Report at this milestone year in the life of the BIHL Group: 40 years of contributing to the financial services industry as well as the development of our country. I'm proud that, throughout the years, we have provided innovative insurance and investment solutions to our clients, while building an enviably successful track record. I'm pleased to note that reaching this milestone clearly indicates that the people of Botswana continue to trust BIHL to deliver on its promises.

I'm immeasurably happy that, as the second company to list on the Botswana Stock Exchange, we continue to deliver value to shareholders. I'm proud that over the past 40 years we have come to symbolise strength and security and stability. I am proud of the strength of our brand as we look back at our achievements and see a company whose operating subsidiaries are leaders in their respective fields.

In fact, I'm pleased that despite the uncertain economic outlook and growing direct competition, we are well placed to take full advantage of available opportunities going forward.

And most importantly, perhaps, I'm proud of the company we are in the process of becoming when we look forward to the next 40 years.

Challenging times lie ahead. We present this Report against the backdrop of fragile global economic growth. While positive growth is expected in emerging markets and developing countries and the outlook for Africa is positive in terms of in-bound investment, uncertainties in some oil rich countries such as Nigeria are a concern as low oil prices put considerable pressure on those countries' public finances.

Batsho Dambe-Groth (pictured on right) joined the BIHL Board in 2008 as a Non-Executive Director. She was appointed as Chairman of the Board in March 2010 following the resignation of the previous Chairman. Ms Dambe-Groth brings to BIHL over 25 years of Services and Human Resources experience, having worked in the mining, parastatal, insurance and financial services sectors.

GROUP CHAIRMAN'S REPORT

(CONTINUED)

Locally, we are fortunate to have recorded a commendable year-on-year growth, with the country's growth rate estimated at around 5%. Inflation is well within Bank of Botswana's target range of 3-6% and the inflation outlook looks positive on account of worldwide oil price decreases, the weak outlook for the European economy and weaker demand worldwide.

Against this economic climate, we are satisfied with the year-end financial results and the outlook for the Group and its subsidiaries. This pleasing performance is a wonderful way to celebrate 40 years of serving Batswana. It illustrates how we can continue to generate profitability from across the Group, while implementing the framework and business discipline necessary for sustainable growth. We will continue to build upon these achievements and focus on our key twin strategies of growth and profitability. The financial year under review was marked by a number of notable achievements, including - in the life insurance business – recognition, for the Sanlam Emerging Markets Cup of Nations Award. In addition, we commend BLIL CEO Catherine Lesetedi-Letegele for her incredible work, earning recognition as a Sanlam Group Chief Executive Officer's Eagle Award and as a finalist in the LIMRA (Life Insurance and Market Research Association) awards under the category of Africa's Most Influential Women in Business and Government for 2014. This is a clear example of the standard and calibre of the talent within the Group.

Key initiatives have been underway across the Group as part of our strategy to become a fully-fledged financial services operation.

My vision for the Group is that we continued to be a trailblazer, a pioneer, as we take the Group to the next level. Of course, we will continue with our usual business working to build upon our strengths to become even better and more efficient. But we will also develop trailblazing projects that make us the leading financial services provider in Botswana, offering a range of services and products that go beyond what we have always done while continuing to fulfil our promise and commitment to the country and its people. The need to diversify business is clear. This is not unique to just BIHL but it forms a central part of our strategy down to the very pillars of that strategy. Our key focus continues to be to ensure greater value for shareholders, something we work towards maintaining and indeed increasing.

We have already started on our transformation journey, introducing some new and exciting innovations – some of which have worked well; and some of which have failed; and some which are still struggling to find their way. Nevertheless, each offers a lesson that is eagerly learned and potentially opens up even more new and exciting opportunities for the future.

Our market share continues to be challenged by increasingly fierce competition in the local market. However, I am confident that we will maintain our position as the market leader given our extensive footprint across the country and our continued drive to deliver high levels of customer service. The fact that BIHL is a good business – a business of integrity which does more than pay lip service to basic regulatory requirements – should also not be underestimated.
We remain acutely aware of the fact that business as usual is not possible in the difficult business environment in which we now find ourselves. Given our already dominant market share, growing the businesses will become harder and harder. Indeed, real growth is going to have to come from doing new things that are aligned – or possibly not aligned – to our current operations. We have to think outside of the proverbial box.

Whatever direction BIHL takes, and regardless of how the company evolves, one thing will not change: even as we move towards becoming a broad-based financial services company, BIHL will continue to keep its promises to all its stakeholders. I firmly believe that in 40 years time we will not simply be as good as we are today, but indeed be considerably greater and stronger.

We will also be a company that plays an even more active and prominent role in society as a whole. The BIHL Trust has made a good start but it has barely scratched the surface of what can be done. Since its inception, it has been finding its way in delivering and supporting worthy

At the heart of what we do

At the heart of what we do lays two integral components, without which our efforts as a Group would fall short: people and passion. We have a heritage of 40 years of uplifting and supporting Batswana, 40 years that were made possible by the many friends and family of the BIHL Group. From our staff to our valued clients and regulatory authorities, we exist as a business today because of their passion and dedication towards growing this business, making sustainable impacts, and ensuring that our twin strategies of growth and profitability are realised. It is because of our people and our passion that we have been able to make the most of the systems and processes in place to maximise value, and we constantly work towards ensuring that we leverage off these and grow them to their greatest potential.

Corporate Social Investment projects. I am especially proud of our contribution to the library project, renovating and refurbishing libraries in schools across the country as part of the Adopt-A-School programme championed by the Ministry of Education and Skills Development. To date, a total of eight schools have seen library refurbishments completed. Looking ahead, it will do more, potentially focusing far more on projects that empower communities.

A 40 year anniversary is a time for reminiscences. We have come such a long way from our establishment as Botswana Insurance Company in August 1975 and the sale of our first policy in 1977. Since then, we have introduced a broad range of policies, each designed to meet the needs of Batswana across the economic, geographic and social spectra. Recognising our obligation to contribute to the development of our country, we invested – through Bifm – in our first property development, Tapologo, in 1981. Bifm's ongoing investment in property and infrastructure has literally changed the face of Botswana; think of Airport Junction, RailPark Mall and other shopping malls in Gaborone, Maun and Francistown; think of the Office of the Ombudsman and Plot 21, Fairgrounds Office Park, and the SADC Headquarters. We were one of the pioneers of the Botswana Stock Exchange, listing in 1991 and thus gave Batswana an opportunity to be part of our growth and success. We have made first steps into Africa with our partnership in Zambia and we became part of one of the largest financial services groups on the continent in 2005 when Sanlam acquired our then-majority shareholder, African Life. It has been a journey marked by progress and advancement, themes we strive to continue into the future.

We are fortunate that so many great leaders have made their mark as part of the BIHL family, becoming an integral part of our story just as BIHL plays a part in their narratives as change-makers in Botswana. The importance of this cannot be overstated, and we are truly proud and humbled to have such a key part of our history enmeshed in the very fabric of our local community and economic development.

The Board also remains cognisant of the need to ensure that we continue to devote even more attention to people development, succession planning and training. Some progress is being made in this regard and I have no doubt that this will continue to be a strong focus as we move forward.

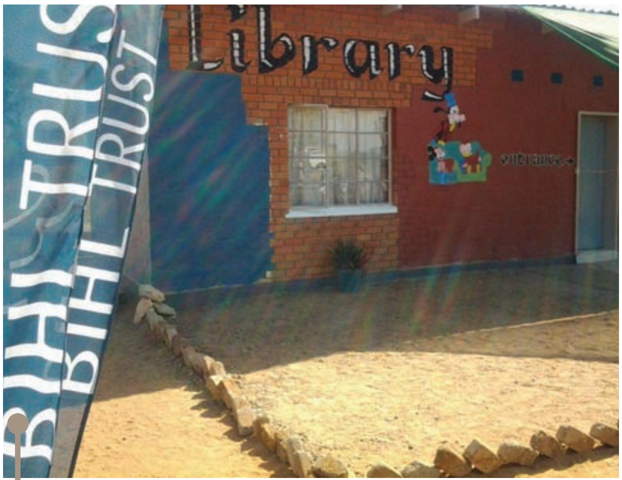
The BIHL Group is fortunate for the fact that the Boards, management teams and staff complements of the Group and subsidiary companies consist of people who work incredibly hard despite the pressure they are under. They have weathered many challenges and difficulties, yet their loyalty and commitment to the Group has been unwavering.

Looking ahead, we will focus on defending our market share as we continue to offer our clients and customers the highest level of service. We will focus on diversifying the profit sources through acquisitions in financial services in Botswana and in the Southern Africa region.

The continued uncertainty in the global markets is expected to continue to affect the results, but despite this, we remain optimistic about our future prospects and aim to take full advantage of the opportunities in the economy.

Of course, none of this would be possible without the invaluable contributions of so many. My thanks go to all those who – over the past 40 years – have made BIHL into what it is today: one of the leading institutions in Botswana. I am also grateful to those who are preparing the Group for the next 40 years. I am confident that when the BIHL Chairman of 2055 looks back, he or she will see a company which continues to deliver on its promises and commands the trust, respect and loyalty of its management, staff, customers and Botswana as a whole. Here's to another 40 years of heritage being built, with the confidence that we do so upon a 40 year foundation marked by passion and excellence.

Batsho Dambe-Groth
Chairman



Changing lives

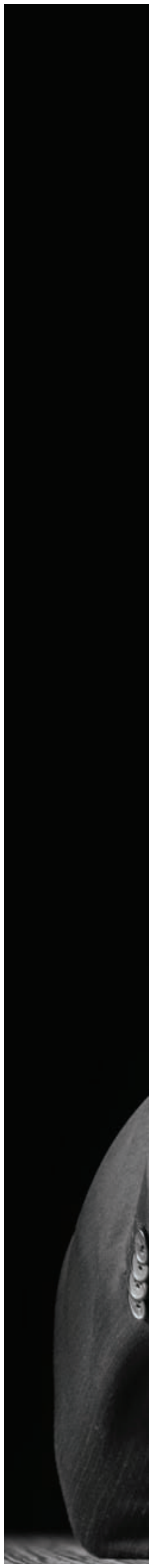
We are cognisant of the fact that there is very little long term impact in ad hoc, run of the mill projects. We need to make a real difference to our greater community, a community we continue to call home after 40 years of existence. How can we make a tangible difference that contributes to the legacy of the business and the growth of communities? How do we need to go about this to ensure that 40, 50 and 60 years down the line, communities continue to reap the benefits of our efforts? Simply put, we strive to champion projects that have a clear avenue for sustainable impact. To that end, we have worked through strategic collaborative efforts in such projects as Literacy Training with the Ministry of Education and Skills Development, as well as coming full circle in handing over the last in a series of 8 library refurbishments as part of the Adopt-A-School initiative.

GROUP CHIEF EXECUTIVE'S REPORT

40 years ago, BIHL Group began with people: the first employee and the first customer. Over the past four decades, we have grown into one of Botswana's leading companies, touching millions of lives as part of the very fabric of Botswana.

We have contributed to the country's growth and development, while simultaneously growing and developing as an institution. As a business that works with numbers, it is logical for BIHL to believe in them and the strength they represent. However, 40 is now not just a number to us after doing business in Botswana, with Batswana, for Batswana. We now look back at our achievements and see more than simply numbers.

"40" is, to us, something which we are extremely proud of, and we are grateful to have been able to achieve all that we have and all that we have built: 40 years of adding value to customers, investors, shareholders, clients and a nation. It is against this celebration of our heritage that I present this, the Group CEO's report in our 40th anniversary Annual Report. In this continued vein of celebration, I am delighted to announce that the Group has had another excellent year from a financial point of view, with all the businesses having turned in pleasing performances. Despite the continued challenging economic and competitive environment we have yet again delivered on our key objective of delivering sustainable returns to our shareholders with an impressive 24% return on embedded value. This has been achieved through focus on our core strategic areas:



Gaffar Hassam, Group CEO (pictured on right). Our solid financial position has allowed us to continue to add value to our customers, our community and our economy.

GROUP CHIEF EXECUTIVE'S REPORT
(CONTINUED)

protecting market share and maximising returns on existing businesses; new strategic investments in financial services; revenue and cost synergies; capital management; and a focus on our people to promote a culture of superior performance.

PROTECTING MARKET SHARE AND MAXIMISING RETURNS ON EXISTING BUSINESSES

Once again, the largest contributor to the Group's results, Botswana Life Insurance Limited (BLIL), had an excellent year with the value of new business increasing by 35% to P148.2 million. This has been achieved within an increasingly competitive market, and in which most consumers – our customers – are under financial strain. Household debt levels are rising; the Pula has weakened against major currencies, thus pushing up the cost of living; fewer new jobs are being created; and salary increases are minimal where they exist at all. As Botswana Life is our founding company, it is pertinent at this point in our history to look at the driving factors behind the Company's success and sustainability. The most important factor contributing to our growth, I believe, is trust. Insurance, by its nature, is about trust. Customers invest in our products because they trust that we will still be around when they need to claim; and because they believe that we will honour their claims. Our intimate knowledge of the local market has led to delivery of client centric solutions and products. The value of our 40 year track record of fulfilling that trust and customer expectations cannot be underestimated. Yes, we are the largest in our sector but size should never lead to complacency. We have invested heavily in our staff and technology ensuring we are able to deliver the levels of service and innovation that our customers expect and deserve.

The second contributor to BIHL's results is the performance of our associates, Letshego, FSG, KYS and the associate holding in the Zambia business covered below.

The performance from each of the associate companies was very good during the year with an increase of the profit contribution by 34% to P253.6 million. We continue to leverage on these associate relationships to distribute our products like the credit life and funeral insurances.

Assets under management increased by 7% to P28.9 billion. That was a result of smart and careful management of investments

Contributing towards self-sustainability in Gamodubu

In what has proven to be largest project taken on by the BIHL Trust, the Gamodubu Child Care Trust officially accepted a newly completed multipurpose hall courtesy of BIHL. The handover was officiated by then Assistant Minister of Local Government and Rural Development, Hon. Botlogile Tshireletso. Gamodubu Child Care Trust is a centre for orphaned and vulnerable children, most of whom are living with HIV and AIDS. The Gamodubu project addresses social issues ranging from HIV, delinquent kids, young mothers, youth development, and community outreach. The Centre offers an out of school programme that includes, but is not limited to, feeding and ensuring the children take their medication, also ensuring the children have access to regular check-ups. The multipurpose hall will be used to generate income for the Centre, which feeds 209 children from the village and surrounding areas. BIHL Trust supports Gamodubu Child Care Trust in their quest to curb social ills amongst the youth at the Gamodubu community and surrounding areas. The multipurpose hall is expected to add on to the existing income generating activities of the Gamodubu Child Care Trust, which include poultry and vegetable gardening, equipping them with the tools and the resources to be a sustainable, self-sufficient organisation well into the future.

"We continue to demonstrate our Strength in Numbers through our customers, the calibre of our staff, our loyal client base, and through our financial strength and systems."

by highly qualified investment professionals, as well as successfully attracting new customers and retaining existing ones. It was also pleasing to see the ongoing expansion of the Zambian partnership. The decision to split their operations into three distinct business divisions in order to enable greater focus on the areas of Employee Benefits, Asset Management and Property Management has paid dividends by enabling them to generate more revenue in each area.

The ongoing, deepening and unsustainable losses at BIHL Sure!, our short-term insurance venture, were most concerning.

With extremely slim prospects for turning the business around, we made the difficult decision to sell the general lines book to Botswana Insurance Company (BIC) for P6 million. Despite this disappointment, we have not abandoned our stated strategy of becoming a broad-based financial services company. General Insurance complements our Life Insurance and Asset Management activities and we will continue to investigate other opportunities in this sector.

We still retain Legal Guard – a niche business in the general insurance space which was the first to identify a clear need in the market for affordable and appropriate legal insurance. As the largest legal insurance provider, Legal Guard's team of dedicated experts provides legal advice for over 20,000 customers a month, with a customer base of over 86,000 people nationwide.

That's 86,000 people with access to affordable legal services and the innovation that allows for greater access and convenience. Butressed by this strong foundation, the company continues to maintain its position as the market leader, continuously developing and refining its offerings in line with market requirements.

REVENUE AND COST SYNERGIES

An important development in the year under review was the bedding down of our new IT platform. This will allow us to mine client data across all our subsidiaries, opening up opportunities to grow our existing customers rather than our customer base. This is an important distinction, particularly when one considers that Botswana Life has 240,000 customers. This will give us the ability to truly understand and segment our customers, develop relevant products that target niche market sectors, and offer them to clients via the service channel that best meets their needs. We will also be able to cross-sell and up-sell products from across all our subsidiaries.

NEW STRATEGIC INVESTMENTS IN FINANCIAL SERVICES

We finalised the strategy on capital utilisation during the year. An amount has been allocated for strategic acquisitions. 2015 will therefore be the year that we will aggressively pursue this agenda with a view to making acquisitions, within the financial services industry, in Botswana and Southern Africa.

CAPITAL MANAGEMENT

BIHL Group still remains in a very strong position with respect to capital adequacy. The strong capital position was taken into account when considering a change in the dividend policy that is significantly higher than previous years.

For the past three years, we have been extremely cautious because of the upheavals in local and global markets. Our strategy regarding the employment of our own capital was also still being formulated.

This has now been settled and it has enabled us to introduce a dividend policy that allows us to return any capital for which there is not a defined strategic use to our shareholders.

As a result, we declared an interim dividend of 42 thebe (gross of tax), and a final dividend of 45 thebe (gross of tax), which was significantly higher than even in the so-called "glory" years. This is a level that will be maintained going forward to ensure our shareholders obtain the best possible return on their investment.

A CULTURE OF SUPERIOR SERVICE THROUGH OUR PEOPLE

BIHL's achievements over the past 40 years would not have been possible without the dedicated and talented crop of people in each of our subsidiaries who have worked tirelessly to serve our customers. As I said, we are a business that began with people, and today, people remain our focus.

The entire BIHL Group family, comprising individuals employed across each of our subsidiaries as well as at Group level, are the driving force behind our

"We need to evaluate the contribution we have made and will continue to make to our community, our country and our environment."

GROUP CHIEF EXECUTIVE'S REPORT
(CONTINUED)

About Gaffar Hassam

Gaffar Hassam joined the Group in 2003 as Botswana Life's Finance Manager and Company Secretary. In December 2011, he was appointed as the Group CEO.

Mr Hassam holds an MBA from Oxford Brookes and is a fellow of the Association of Chartered Certified Accountants (FCCA).

With over ten years executive experience in the BIHL Group, Mr Hassam is well versed in the working of the business and has been instrumental in shaping the current performance of BIHL.

BIHL is committed to the highest level of corporate governance. Our corporate governance practices are continually being reviewed and improved.

FOR MORE INFORMATION TURN TO **PAGES 123-133**

passion for excellence. Now, however, we are breaking down the silos between our operations and for the first time we are starting to cross-pollinate skills and knowledge across the entire Group. This not only opens up greater development and advancement opportunities for individual employees, but will also benefit our customers through greater innovation and higher levels of service.

SERVING THE COMMUNITY

Achieving good business performance and delivering solid returns to our shareholders over the past 40 years is only one aspect, however, of being a successful corporation.

Being one of the largest corporations in Botswana also carries immense responsibility and we also need to evaluate the contribution we have made and will continue to make to our community, our country and our environment.

Since its establishment, the BIHL Trust has had a positive impact on the lives of many Batswana, but I firmly believe that we should be doing more. One of the biggest challenges for the country is unemployment especially among the youth, as well as in certain geographical areas of the country. We should be paying more attention to addressing this complex issue in a way that is both meaningful and sustainable.

We have made a start with our support of projects and programmes designed to empower people to take care of themselves and provide them with entrepreneurial skills such as those initiated by the Gamodubu Child Care Trust and the sewing projects at New Xade as well as the wherewithal to gainfully employ themselves. However, we also cannot neglect those communities that still need basic infrastructure such as schools or hospitals and we have made contributions in this regard as well.

I am particularly proud of the contribution the BIHL Trust Thomas Tlou Scholarship has made towards the future development of our country through giving truly outstanding young people incredible opportunities to better themselves. And what's really heartwarming is how this group of bright young graduates is paying it forward. They have started an initiative to mentor and support younger individuals and hopefully bring them up to the level where they too could possibly be considered for support through their higher education.

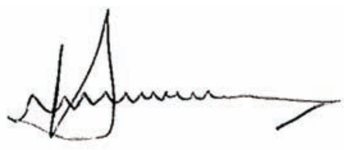
THANKS

I cannot end this Report without paying tribute to every member of staff across the BIHL Group.
We operate in challenging times, and our people consistently step up to the mark and deal with those challenges effectively and efficiently. Their dedication to their jobs and loyalty to the Group is sincerely appreciated, and the passion they bring with them is an inherent part of the culture of this business.

I would also like to thank the Government, including the regulator, NBFIRA, for their support and the strides that have been made in addressing the complex issues facing the life assurance sector.

Finally, I must thank our customers. They are the ones that have made this business what it is. Thanks to them, BIHL will continue to be a dominant, leading financial player in Botswana, playing in a broader range of sectors and offering a wider set of products and services. 40 years ago, BIHL began with people; today, people remain at the heart of who we are and what we do.

The next 40 years has started, and I am confident that what we have achieved in the first 40 will provide a great foundation for what is still to be accomplished.



Gaffar Hassam
BIHL Group CEO

Re a tlhaloganya

There's a Setswana saying that I came upon, that, for me, embodies a principle I believe to be very true to the philosophy and culture of our business: "Moroto o nosi ga o ele…"

There's a Setswana saying that I came upon, that, for me, embodies a principle I believe to be very true to the philosophy and culture of our business: "Moroto o nosi ga o ele…" Taken out of context or without a full appreciation of how pregnant with meaning it is in Setswana, some may find it a bit odd. However, as with so much of what we want to convey, the words can get lost in translation. Essentially it speaks to how, to achieve success, a concerted effort is needed from all. It is so very pure and forthright in its meaning, however, that it simply works.

The most obvious correlation here would be with the very mantra of BIHL Group, "Strength in Numbers." It is well understood by all members of the Group and the various stakeholders we deal with that this is, for us, more than a simple tag line or even just a reference to our role as a financial services institution. It speaks to the immeasurable quality of our people, our resources, and indeed our depth of skill. What "Moroto o nosi ga o ele…" adds to this for me, however, is the inherent need for an understanding that it is a harmonious drive towards achieving a common goal that allows us to achieve that goal.

As a community, upliftment and development initiatives are more impactful when driven by many hands than just one; as a business, the depth of skill and depth of expertise is only stronger when combined; our 40 years of heritage has us more primed to deliver value than just a single decade would. It is more than just understanding; it is a nuanced understanding inherent with empathy, compassion, and relatability; in short, re a tlhaloganya.

In 40 years, I am proud to say we have built a culture and a heritage premised around the very fact that our combined efforts allow us to make a real difference, in our business, our communities, our industry, and indeed our nation as a whole. Without each and every one of the people who have contributed in so many ways towards this business, we would not be where we are today.

It is these relationships that have helped usher us so seamlessly into this, our 40th year, relationships which just a few words cannot do justice to, but which serves as just a small token of our appreciation and gratitude. To all of our people, friends and family of BIHL both immediate and extended, all of whom have populated the Group's narrative to date, we thank you.

Moroto o nosi ga o ele…
Re a le leboga.

Gaffar Hassam
BIHL Group CEO

ECONOMIC AND FINANCIAL REVIEW

Global growth for 2015 and 2016 is estimated at 3.5% and 3.7% respectively.

Global economic growth remains fragile. Monetary policy will continue to be accommodative in major economies, still providing liquidity and fostering resilience of the financial sector to support economic expansion. Growth in advanced economies is forecast at 2.4% by the IMF, with the USA expected to exceed growth by 3%, while growth in Europe is projected at 1.2%.

Growth in emerging markets and developing countries is expected at 4.3% in 2015 and 4.7% in 2016. Global growth for 2015 and 2016 is estimated at 3.5% and 3.7% respectively. In Europe, the threat of deflation makes reducing rates less risky and the European Central Bank (ECB) has consequently adopted a less conventional monetary policy of Quantitative Easing (QE) in January 2015. Growth will be supported by significantly reduced oil prices, continued monetary policy easing, more neutral fiscal policy positioning and a depreciated Euro relative to its major trading partners.

KEY INDICATORS OF THE GROUP'S PERFORMANCE FOR THE 2014 FINANCIAL YEAR

Revenue

Net premium income increased by **6%** to

P1.99BN

Fee income increased by **13%** to

P111MIL

Value of new business increased by **35%** to

P148.2MIL

Earnings

Operating profit before tax increased by **4%** to

P287.2MIL

Core earnings increased by **3%** to

P319.6MIL

Profit attributable to equity holders increased by **1%** to

P499.5MIL

Assets

Assets under management increased by **7%** to

P28.9BN

Dividends

P216.4MIL paid as dividends during the year (2013: P98.4 million)

Final normal dividend proposed of **P126.5 million**

While the outlook of Africa is positive in terms of investment destination, uncertainties in some oil rich countries such as Nigeria are a concern as low oil prices put considerable pressure on those countries' public finance. With the threat of Ebola subsiding, some West African countries (Guinea Conakry, Sierra Leone and Liberia) could see a revival of growth in 2015 as we will see a freer flow of capital both human and financial from and to those affected areas. Botswana's growth rate is estimated at around 5.0% and inflation is expected to remain well within the Bank of Botswana's target range of 3 to 6%. The inflation outlook is supported on account of worldwide oil price decreases, weak outlook for the European economy and weaker demand worldwide.

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 148.

The BIHL Group produced a very satisfactory performance for the year under challenging circumstances with operating profit before tax (OPBT) increasing by 4% compared to the previous year. This pleasing result is due to resilient performances from the Group's two key operating business units Botswana Life (life insurance), and Bifm (asset management) as well as enhanced performance from our associates. The Group divested its interest in general lines insurance which resulted in significant restructuring costs that adversely impacted on operating profit for the year.

RETURN ON GROUP EQUITY VALUE (ROGEV)

The key performance measurement of BIHL Group is to optimise shareholder value through achieving sustained levels of maximised Return on Group Equity Value (ROGEV) per share. This measure of performance is regarded as the most appropriate given the nature of the Group's business and incorporates the result of all the major value drivers in the business.

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)

ROGEV

Earnings
Net business flows
Cost management
Operational efficiencies

Capital efficiency
Optimal application
Strategic investments
Excess capital allocation

ECONOMIC AND FINANCIAL REVIEW
(CONTINUED)

SHAREHOLDER VALUE

BIHL Group delivered a very satisfactory set of results in 2014 despite continued uncertainties in global financial markets and weak local economic growth. We renewed focus on the utilisation of capital and particularly the management of excess capital that is surplus to operational and regulatory requirements.

We are of the view that this approach allows for the most sensible strategy to achieve long term value creation. Return of Group Equity Value remained at a solid 24% (2013:24%) which is well aligned with shareholders' expectations.

Group Embedded Value increased by 17% on the back of significant growth in both life Value of New Business and Value of in Force Business. The strong solvency position is supportive of our view that the Group is well positioned to maintain ROGEV levels within the foreseeable future.

Our capital position remains strong with required life capital covered 11.3 times (December 2013: 9.2 times).

BUSINESS VOLUMES

The life business experienced a marginal decrease in net funds flow of P36 million in tough operating conditions in 2014. The comparative decrease was as a result of lower new recurring contributions which are adversely impacted during cycles of economic contractions. We are pleased to have witnessed a steady growth in benefits paid to policyholders during the year which ended at P1.1 billion, up by 13% compared against 2013.

The asset management business, Bifm, experienced a decrease of P207 million in net funds flows which was as a result of individual withdrawals in pension funds managed rather than mandate contractions.

VALUE OF NEW BUSINESS AND NEW BUSINESS MARGIN

The value of new life business (VNB) increased significantly by 35% to P148.2 million as a result of a significant growth in most business lines and to a lesser extent changes in mortality assumptions and improved persistency levels. The changing economic environment resulted in a change in the risk discount rate which also impacted favourably on VNB.

Business volumes

	31-Dec-14 P'000	31-Dec-13 P'000
Life insurance business:		
New Recurring	212 583	167 481
Single	992 476	954 456
Total New Business	1 205 059	1 121 937
New recurring	705 757	706 170
Single	21 043	4 978
Total Existing Business	726 800	711 148
Outflows	(1 173 806)	(1 038 326)
Net funds flows	758 053	794 759
Asset management Business		
Inflows	1 175 392	792 489
Outflows	(1 078 385)	(488 171)
Net Funds Flow	97 007	304 318
General insurance		
Inflows	44 383	44 886
Outflows	(25 266)	(24 571)
Net Funds Flow	19 117	20 315
Total net funds flows	874 177	1 119 392

Value of new business and new business margin

	2014 P'000	2013 P'000
Value of new covered business	148,249	109,711
Present value of new business premiums	1,767,919	1,597,275
New covered business margin	8.39%	6.87%

EARNINGS

Botswana Life's operating profit increased year on year by 15% to P317.5 million as a result of good operational earnings from all business lines, particularly the annuity business and life investment lines delivered outstanding results. Net premium income increased by 6% as a result of improved annuity business written. Bifm's operating profit increased to P49.2 million from 2013's P44 million and was positively impacted by assets under management, which grew by 7% to reach P28.9 billion. Bifm incurred a once off fair value adjustment of P15.9 million as a result of the sale of its controlling interest in its Zambian property investment company; this once off cost is not expected to reoccur in similar transactions in 2015. Botswana Insurance Company Limited's results were adversely affected by restructuring costs of P12 million that was incurred in the process of selling off the general lines business to Botswana Insurance Company Limited.

A downward fair value adjustment of P20 million pertaining to Legal Guard was made as result of margin contraction that resulted in a lower valuation of the business than previously disclosed.

Group expenses increased by 26% and were in line with expectation due to lower levels of expense recovery charged to subsidiaries. The Unit Trust business continued to perform below expectations as a result of below targeted levels of assets under management. BIHL Trust, our charitable arm, had an eventful year and experienced a pleasing increase in activities.

Investment income, which comprises interest and dividend income, decreased marginally by 1% to P32.4 million primarily as a result of lower average cash balances. Investment returns increased 22% to P97.4 million. This area remains vulnerable to market volatility.

The Group's share of profit in associates and joint ventures improved by 34% to P254 million due to an improved performance of Letshego Holdings Limited in which the Group holds a 23.3% equity stake. This continues to be an important contributor to Group operating profit.

Analysis of shareholders' earnings

	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	% Change
Operating profit	287 199	277 273	4%
Investment income on shareholders' assets	32 449	32 807	(1%)
Core Earnings	319 648	310 080	3%
Loss on sale of subsidiary	(14 946)	-	-
Share of profit of associates net of tax	253 618	189 202	34%
Investment surpluses on shareholders' assets	54 820	80 112	(32%)
Profit before tax	613 140	579 394	6%
Tax	(107 495)	(84 621)	27%
Profit after tax	505 645	494 773	2%
Minority shareholders' interest	(6 108)	(2 273)	-
Profit attributable to ordinary shareholders	499 537	492 500	1%

"While the outlook of Africa is positive in terms of investment destination, uncertainties in some oil rich countries such as Nigeria are a concern as low oil prices put considerable pressure on those countries' public finance."

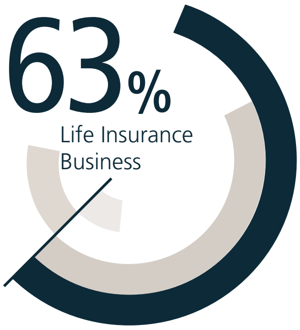
ECONOMIC AND FINANCIAL REVIEW

(CONTINUED)

SEGMENT CONTRIBUTION

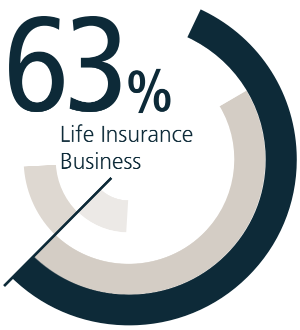
The contribution to the Group's Operating Profit Before investment returns, surpluses and tax by operating segments was as follows:

Composition of the Group earnings 2014



44% Associates
(16%) Other
9% Asset Management Business

Composition of the Group earnings 2013



38% Associates
(13%) Other
12% Asset Management Business

Segment Contribution

	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	% Change
Life	317 469	275 698	15%
Asset management	49 153	43 926	12%
Associates	253 618	189 202	34%
General insurance	(27 925)	(11 709)	138%
Group expenses	(21 416)	(17 041)	26%
Impairment of Goodwill	(20 160)	-	-
Other	(9 922)	(13 601)	(27%)
Total	540 817	466 475	16%

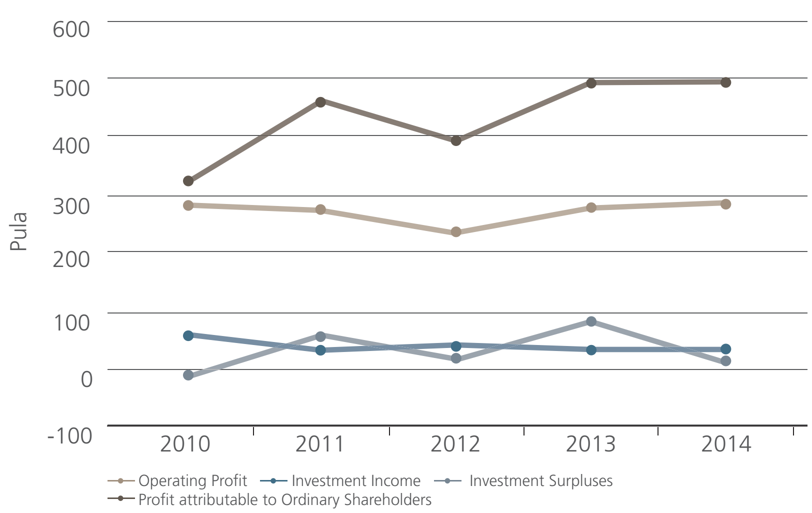
*Other – refers to unit trust and charitable trust.

Five year review of core earnings

The performance over the past five years is as follows:

	2014 P'000	2013 P'000	2012 P'000	2011 P'000	2010 P'000
Operating profit	287 199	277 273	232 764	273 146	281 071
Investment income on shareholders' assets	32 448	32 807	37 956	30 612	58 086
Core earnings	319 647	310 080	270 720	303 758	339 157
Profit on sale of subsidiary	(14 946)	-	6 075	33 785	-
Share of profits of associates, net of tax	253 618	189 202	196 482	133 872	72 217
Investment surpluses/(losses) on shareholders' assets	5 484	80 112	12 054	56 998	(9 435)
Tax	(107 495)	(84 620)	(90 936)	(57 083)	(69 456)
Profit after tax	505 645	494 773	394 395	471 330	332 483
Non-controlling interests	(6 108)	(2 273)	(3 477)	(8 357)	(9 933)
Profit attributable to ordinary equity holders of the parent	499 537	492 500	390 918	462 973	322 550

Five year review - Pmillion



RETURN ON EMBEDDED VALUE (EV)

Growth in EV per share is the most suitable performance indicator to measure wealth creation for shareholders as it indicates the value created in the Group during the reporting period.

Return on embedded value measures the return earned by shareholders on shareholder capital retained within the business and is calculated as the embedded value earnings divided by the opening embedded value. The Group managed to maintain an excellent return of 24% that was attributable to outstanding operational performance from its main business, life insurance, well supported by its asset management business.

CAPITAL AND SOLVENCY

Optimal capital management remains the key strategic priority for the Group, with specific focus on the following:

a. Optimising the capital allocated to Group operations
b. Optimal utilisation 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 consideration by the Board when resolving to declare an interim dividend that was significantly higher than the comparative dividend of previous years.

The Board has consequently adopted an approach in terms of which future dividends will be paid where the Group's capital position will remain strong but more aligned with future capital requirements across the Group and at sustained levels of Return on Group Equity Value.

Return on embedded value (EV)

	Dec-14 P'000	Dec-13 P'000
Embedded value at end of period	3 823 689	3 260 161
Embedded value at beginning of period	3 260 161	2 700 868
Change in embedded value	563 528	559 293
Dividends paid	216 425	98 375
Embedded value earnings	779 953	657 668
Return on embedded value	24%	24%

Ordinary shareholders' assets

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

	Dec-14 P'000	Dec-13 P'000
Assets		
Property and equipment	20 138	20 827
Intangible assets	122 410	150 898
Investments in associates and JV's	1 647 451	1 439 221
Investments	560 336	535 818
Investment properties	94 867	96 249
Equity investments (local and foreign)	165 975	140 658
Interest bearing investments	244 018	252 671
Policy loans and other loan advances	31 378	24 286
Money market instruments	24 098	21 954
Long-term reinsurance assets	3 728	6 124
Deferred tax asset	495	2 344
Short term insurance technical liabilities	(5 195)	8 036
Trade and other payables	(321 765)	(338 541)
Working capital cash	658 468	580 674
Non-controlling interests	(18 569)	(34 912)
Total assets	2 667 498	2 370 489

DIVIDEND

The Directors have resolved to award a final dividend for the year as follows.

	Interim, already paid	Final	Year to 31 Dec 2014 (interim and final)	Year to 31 Dec 2013 (interim and final)
Normal dividend (Thebe)	42	45	87	50

EMBEDDED VALUE

Definition of Embedded Value

The Embedded Value represents an estimate of the economic value of the Company excluding the value attributable to future new business and the value attributable to minority interests.

Increased value for our shareholders is a crucial objective for BIHL Group. It is a drive for increased shareholder value that guides all BIHL operations and investments.

The Embedded Value comprises:

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

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

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 2014, 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.

Embedded Value

"The embedded value was positively affected by good operating earnings, especially the life business, and improved market value for the non-life operations."

Gaffar Hassam

EMBEDDED VALUE INCREASED BY **17%** TO

P3.8bn

EMBEDDED VALUE PER SHARE INCREASED BY

17%

2014	**P14.00**
2013	P11.94

RETURN ON GROUP EMBEDDED VALUE

24%

2014	**P780mil**
2013	P658mil

SOLVENCY

Required capital of

11.29times

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.

HOW EMBEDDED VALUE WORKS

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

CAPITAL AND LIQUIDITY PRINCIPLES MANTAINED

Target

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.

We continue to focus on:

- **OPERATIONAL EFFICIENCIES**
  BIHL Group strives to remove waste and unnecessary costs in all operations, leading to improved customer focus and profitability.
- **OPTIMAL CAPITAL APPLICATION**
  Optimising capital management remains a key strategic priority, including a specific focus on optimising the capital allocated to Group operations.
- **STRATEGIC INVESTMENTS**
  A focus on making strategic investments that will deliver us closer towards our strategic goal of becoming a broad-based financial services company within Botswana and across the Southern African region.

VALUE ADDED

PROFIT

ensuring our shareholders are rewarded for their investment through realisation of strong profits across the Group.

PEOPLE

being in the service industry, the size and profitability of the Group is reflective of the human capital strength that exists at BIHL. Our staff are critical to the required success.

OUR ENVIRONMENT

a dedicated focus towards ensuring we leave a positive impact on our environment, and actively working to ensure that the Earth we leave behind for future generations is a stronger one.

EMBEDDED VALUE
(CONTINUED)

2. EMBEDDED VALUE RESULTS

	31-Dec-14 P'000	31-Dec-13 P'000
Shareholders' net assets excluding goodwill	2,601,978	2,313,929
Fair value adjustments	246,953	175,464
	2,848,931	2,489,393
Value of in-force business	974,758	770,768
Value before cost of capital	1,137,117	957,625
Fair value adjustments	(83,211)	(58,178)
Cost of capital	(79,148)	(128,679)
Embedded value	3,823,689	3,260,161
Embedded value per share (Pula)	14.00	11.94

3. EMBEDDED VALUE EARNINGS

	31-Dec-14 P'000	31-Dec-13 P'000
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	3,823,689	3,260,161
Embedded value at beginning of the year	3,260,161	2,700,868
Change in embedded value	563,528	559,293
Dividends and new capital	216,425	98,375
Embedded value earnings	779,953	657,668
Return on embedded value	**24%**	**24%**
These earnings can be analysed as follows:		
Expected return on life business in force	81,451	74,697
Value of new business	148,249	109,711
Value at point of sale	142,405	101,558
Expected return to end of year	5,844	8,153
Operating experience variances	95,947	112,015
Mortality/Morbidity	82,597	59,911
Persistency	2,562	(5,543)
Expenses	(5,310)	(14,115)
Other	16,098	71,762
Operating assumption changes	96,487	29,129
Mortality/morbidity	(14,029)	33,780
Persistency	50,816	(3,470)
Expenses	(8,343)	(5,528)
Other	68,043	4,347
Embedded value earnings from operations	**422,134**	**325,552**

3. EMBEDDED VALUE EARNINGS (continued)

	31-Dec-14 P'000	31-Dec-13 P'000
Investment variances	26,708	96,997
Economic assumption changes	22,822	27,330
Interest and Inflation	4,501	6,090
Risk discount rate	18,321	21,240
Growth from life business	**471,664**	**449,879**
Return on shareholders assets	257,822	312,714
Investment Returns	125,330	129,854
Net profit non-life operations	132,492	182,860
Change in shareholders' fund adjustments	50,467	(104,925)
Investment (losses)/surpluses on treasury shares	4,011	49,215
Movement in present value of holding company expenses	1,940	19,093
Movement in fair value of incentive scheme shares	(25,033)	4,849
Movement in other net worth adjustments	69,549	(178,082)
Embedded value earnings	**779,953**	**657,668**
Fair value adjustments		
Staff share scheme	6,120	4,180
Non-life operations write-up to fair value	172,055	108,819
Group holding expenses	(83,211)	(58,178)
Reversal of cross holding adjustment	68,778	62,465
Total	163,742	117,286
Consisting of		
Net asset value adjustments	246,953	175,464
Value of in-force business adjustments	(83,211)	(58,178)

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 2014, 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-14 P'000	31-Dec-13 P'000
Value of new business at end of the year	148,249	109,711
Value at point of sale after cost of capital	142,405	101,558
Value at point of sale before cost of capital	156,452	121,885
Recurring premium	64,181	44,897
Single premium	92,271	76,988
Cost of capital at point of sale	(14,047)	(20,327)
Expected return to end of year	5,844	8,153

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	2,848,931	2,848,931	2,848,931
Value of in-force business	1,044,666	974,758	911,806
Value before cost of capital	1,193,831	1,137,117	1,085,923
Fair value adjustments	(83,211)	(83,211)	(83,211)
Cost of capital	(65,954)	(79,148)	(90,906)
Embedded value	3,893,597	3,823,689	3,760,737
Value of one year's new business at valuation date	50,266	142,405	(411,263)
Value before cost of capital	62,388	156,452	(395,400)
Cost of capital	(12,122)	(14,047)	(15,863)

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-14 % p.a	31-Dec-13 % p.a	31-Dec-12 % p.a	31-Dec-11 % p.a
Risk discount rate	11.00	11.50	12.50	13.00
Overall investment return (before taxation)	8.58	9.09	10.09	10.59
Expense inflation rate	4.40	5.00	6.00	6.50

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 2014 by the company.

6.3 Expenses

A 4.5% expense escalation per annum was assumed going forward. (2013:5.0%)

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 2014.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 31 December 2014 by the company.

6.6 Tax

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

6. ASSUMPTIONS (continued)

6.7 Mix of assets backing the Capital Adequacy Requirement

	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11
Asset Class				
Equities	15.0%	15.0%	15.0%	15.0%
Property	10.0%	10.0%	10.0%	10.0%
Fixed-interest securities	25.0%	25.0%	25.0%	25.0%
Cash	50.0%	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 2014				
Base	974,758	79,148	1,053,906	
Discontinuance rates decrease by 10%	1,019,335	79,148	1,098,483	4.2%
Future expenses decrease by 10%	989,073	79,148	1,068,221	1.4%
Mortality experience decreases by 5%	1,005,739	79,148	1,084,887	2.9%
Investment returns decrease by 1%	1,026,953	79,842	1,106,795	5.0%
Risk discount rate decreases by 1%	1,044,666	65,954	1,110,620	5.4%
Risk discount rate increases by 1%	911,806	90,906	1,002,712	(4.9%)

	Value of new business	Cost of capital	Value before cost of capital	% Change
Value of one year's new business as at 31 December 2014				
Base	142,405	14,047	156,452	
Discontinuance rates decrease by 10%	151,102	14,047	165,149	5.6%
Future expenses decrease by 10%	145,468	14,047	159,515	2.0%
Maintenance and acquisition costs decrease by 10%	146,030	14,047	160,077	2.3%
Mortality experience decreases by 5%	143,376	14,047	157,423	0.6%
Investment returns decrease by 1%	128,895	14,563	143,458	(8.3%)
Risk discount rate decreases by 1%	149,310	11,770	161,080	3.0%
Risk discount rate increases by 1%	135,835	16,048	151,883	(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 on page 159 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 2014 the Assets and Liabilities under the two approaches are the same.

	31-Dec-14 P'000	31-Dec-13 P'000
Statement of Actuarial Values of Assets and Liabilities		
Total assets	9,893,757	8,596,990
Current liabilities and deferred tax	(422,681)	(392,976)
Net assets	9,471,076	8,204,014
Actuarial value of policy liabilities	(7,354,668)	(6,804,707)
Excess of assets over liabilities	2,116,408	1,394,307
Prescribed Capital Target (PCT)	137,085	151,873
Ratio of Excess Assets to PCT	15.44	9.19
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period as previously reported	1,394,306	1,140,067
Excess assets as at end of reporting period	2,116,408	1,394,307
Change in excess assets over the reporting period	722,102	254,240

	31-Dec-14 P'000	31-Dec-13 P'000
This change in the excess assets is due to the following factors:		
Investment return generated by excess assets over liabilities		
Investment income	49,935	36,440
Capital gains	40,026	71,181
Total investment return on shareholders' funds	89,961	107,621
Changes in valuation methods or assumptions	(28,486)	(31,400)
Operating profit	338,430	307,110
Taxation	(83,532)	(68,918)
Ordinary shareholders surplus for the period	316,373	314,412
Transfer to share based payment reserve	38	202
Business Combination	571,600	-
Capital raised and dividends paid	(165,909)	(60,375)
Total change in excess assets	722,102	254,240

Certification of financial position on prescribed basis

Changes in valuation methods or assumptions of assets and liabilities

Changes in basis and methodology had a P28.5m impact on the total value of the policyholder liabilities as at 31 December 2014, (31 December 2013: P47.6m). The impact of valuation assumption and methodology changes on policyholder liabilities are summarised below.

	31-Dec-14 P'000	31-Dec-13 P'000
Mortality	19.7	(7.0)
Lapse and surrender assumptions	(3.3)	(1.1)
Expenses	3.7	8.5
Economic	(1.3)	(1.6)
NBFIRA fee	-	(2.8)
Other assumption changes	(0.8)	-
Changes to surrender value modelling	10.5	-
Change yield curve methodology	-	51.6
Total	28.5	47.6

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 IPRL1 and IFRS4. Investment contracts without discretionary participation features have been valued in terms of IAS 39; Financial 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 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 2014 exceeds the minimum requirements in terms of the IPR1L.

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

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from the medium to long term inflation assumption 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 2014 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality, morbidity and disability rates are consistent with the company's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of AIDS and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Botswana Life's recent experience or expected future experience if this would result in a higher liability.

REPORT OF THE INDEPENDENT ACTUARY

(CONTINUED)

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.

In the case of policies for which the bonuses are stabilised, the liabilities are equal to the balances of the investment accounts plus corresponding bonus stabilisation reserves.

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

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 3.0% per annum (9.55%: 2013). A discount rate of 8.8% per annum (9.3%: 2013) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

For individual unbundled policies of which the bonuses are stabilised or smoothed, a gross premium valuation was performed. Future bonuses were provided for at bonus rates that would be declared should an investment return of 3.0% per annum be earned (9.71%: 2013). A discount rate of 9.01% per annum (9.71%: 2013) was used to place a present value on assumed future cash flows. A negative Pula reserve has been allowed for, equal to the present value of future charges not required for risk benefits and renewal expenses. Bonus stabilisation reserves were held to equate the liabilities to the market value of the corresponding assets.

Where policyholders participate on a discretionary basis in the proceeds of the business, their reasonable benefit expectations have been interpreted as their share in the funds accumulated to them as a group over their in force lifetime. To achieve a steady build up via bonus declarations it is necessary to apply some smoothing of investment returns experienced by these funds. For this purpose a Bonus Stabilisation Reserve is held that represents the difference between the funds set aside and the value of policy liabilities based on declared bonuses, ensuring that excess investment returns are held back to provide for future payment of policy benefits. It is possible in difficult investment times for the Bonus Stabilisation Reserve to be negative. No bonus stabilisation reserve for any class of business was more negative than –7.5% of corresponding liabilities at the valuation date (-7.5%: 2013).

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

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

- Additional margins on the AIDS mortality table of 87.28% (2013: 87.23%) for females and 55.83% (2013: 55.83%) for males.
- Additional margins on expense inflation of 7.14% per annum (2013: 7.14%).
- Additional margins on per policy renewal expenses of 7.8% (2013: 7.8%) and 7.5% on (2013:7.5%) premium related expenses.
- Additional reserves are created to ensure that no policy is treated as an asset

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 Statuary Actuary. A discretionary reserve of P241.3 million (Dec 2013: P234.6 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 current Botswana inflation rate was not used as it was believed to be a short term spike. 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-14 %	31-Dec-13 %
Gilt return	7.5	8.0
Equity return	11.0	11.5
Property return	8.5	9.0
Cash return	6.5	7.0
Average return	8.4	9.0
Expense inflation	4.5	5.0

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 December 2014 with effective date of June 2014. The most recent mortality investigation was done in September 2014 using data with exposure in the period 1 January 2013 to 31 December 2013.

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: 5.0%) escalation per annum.

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

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

Valuation of assets
The assets (including the excess of assets over liabilities) are valued at fair value, as per the accounting policies in the financial statements. Goodwill has been excluded from the value of the assets. In the case of the Prescribed valuation the asset values were subject to restrictions in line with IPR2L, although no restrictions were actually applied in practice

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

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 Ordinary Capital Target (OCT) basis. In determining OCT, no allowance has been made for action by management.

For the purpose of grossing up the Intermediate Ordinary Prescribed Capital Target (IOCT) to determine the OCT, it has been assumed that assets backing the capital requirements are invested in cash (50%) and equities (50%).

The ratio of accumulated surplus to PCT of P137.1 million (December 2013: P151.9 million) is 11.3 times (December 2013: 9.2 times).

I hereby certify that:

- The valuation of Botswana Life Insurance Limited as at 31 December 2014, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01), the Botswana Insurance Industry Prudential Rule IPR1L-Prescibed Valuation Method for Long-term Insurance Liabilities and IPR2L-Prescribed Valuation Method and Admissibility Restrictions for Long Term Insurance Assets.
- This valuation report has been produced in accordance with Botswana Insurance Prudential Rules LR3-Valuator's Annual Report
- The Company was financially sound as at the valuation date and, in my opinion, is likely to remain financially sound for the foreseeable future.

GTWaugh

GT Waugh
Statutory Actuary


3

OPERATIONS REVIEW

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.

BOTSWANA LIFE INSURANCE LIMITED

Our Vision is to be the personalised financial solutions provider of choice.

Large footprint across Botswana

11 branches

countrywide

More than

P1 billion

paid out in benefits and claims over the year

After 40 years of providing assurance to policy holders we can now call ourselves a mature business. With this title come 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 organisation continues to run on sound principles of Trust, Botho, Compassion and Innovation 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.

BLIL HIGHLIGHTS

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.

More than 280,000 policy holders and over 100 corporate and affinity Group clients. BIHL continues to leave a lasting impact in shaping Botswana's financial services space.

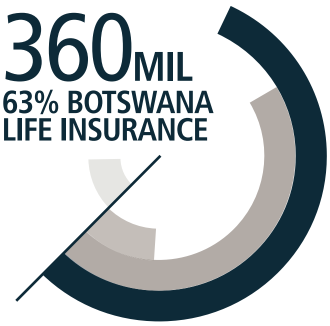
Our strategic goal is centred around the pillars of **Execution, People First, Technology & Innovation, and Sustainability & Growth.** We will pursue sustainable growth through diversification of our revenue base. This will be done by establishing partnerships, penetrating new and existing segments and improving persistency.

In recognition of **its market leadership position,** BLIL has made concerted efforts to ensure that it is aware of the changes taking place within the industry and beyond, establishing factors that may impact on the company and/or the industry as a whole such that it is ahead of the game and able to respond accordingly.

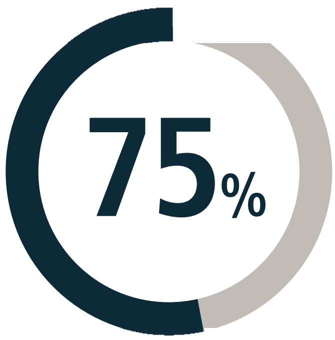
CONTRIBUTION TO THE GROUP EARNINGS

360MIL

63% BOTSWANA LIFE INSURANCE



- 44% Associates
- 9% Bifm
- (16%) Other



Market Share

PERFORMANCE HIGHLIGHTS

Premium income increased by **6%** to

P1.95BN

Botswana Life's equity increased from **P923 million** when Catherine assumed the reigns to

P1.39BN

at the end of 2013

Policyholder assets almost doubled from **P3.9 billion** to

P6.8BN

Under Catherine Lesetedi-Letegele's leadership, Botswana Life won the highly coveted **2014 Sanlam Emerging Markets (SEM) competition**, known as the SEM Cup of Nations.

KEY INNOVATION - THE LIFEREWARDS CARD

A first of its kind in Botswana, the LifeRewards Card enables clients to be paid their claims and benefits into the card, then transact much as with a debit card. Here are some of the features.

A PAYOUT SOLUTION THAT PACKS A PUNCH

1. **No fee** for card issuance
2. **No monthly fees**
3. **No purchase fee** if card is used for purchases
4. **No queuing** to collect/cash cheque
5. **Immediate access** to funds after claim approval
6. **Access funds anytime** of the day or night from any VISA or POS or ATM:-
   Botswana:
   over 500 VISA ATMs over 5000 VISA merchants

   Worldwide:
   1 million VISA ATMs over 29 million VISA merchants
7. **SMS notification** for card transactions

YOUR FUNDS ARE SAFE ON THE LIFEREWARDS CARD

Peace of mind in the security of Chip and Pin protected funds

CONVENIENCE

This card simply works

SECURITY 24/7

This product is about trust. Packed with security this card will keep your funds safe and easy to access at the same time

THE REWARDS OF THE CARD

This card provides real rewards by giving the user access to many discounts from our participating partners

SO MANY BENEFITS, SO MANY PARTNERS, SO MANY USES

1. **Discounts** at the following merchant outlets
   a. BIHL Insurance Company Limited: 10% discount
   b. i) **Sefalana Cash & Carry** – Maun, Charleshill, Kang and Hukuntsi: 2.5% discount
      ii) **Sefalana Hyper Stores** – all: 3.5% discount
      iii) **Shoppers Supermarkets** – all: 5% discount
      iv) **Jack's gym** – all 12.5% discount
      v) **Motovac** – all: 3% discount
   c. **Seabelo's Transport:** 7.5% discount on bus fares, a free trip after 10 trips on a specific route, a chance to win prizes in merchant's competitions
   d. **Avis Car Hire** (refer to Avis Discount Structure)
   e. **FSG**

Notable Transaction fees

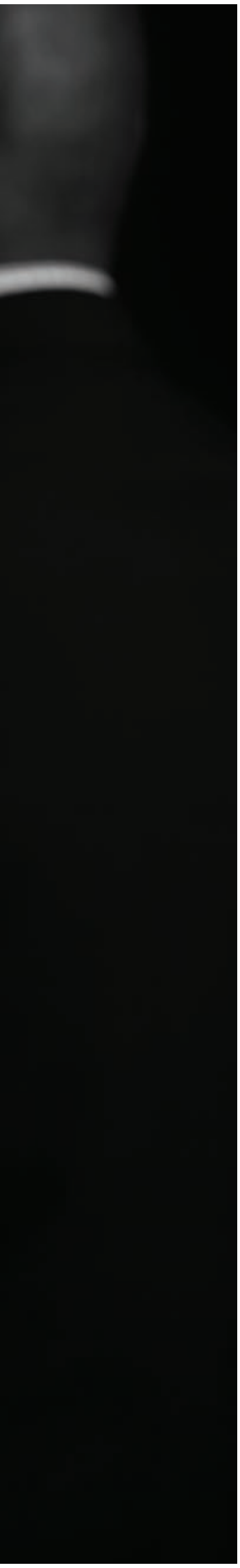
- POS purchase BancABC (Free)
- POS purchase Other Botswana Bank Visa (Free)
- POS purchase International Visa (Free)
- POS purchase Full Statement (less than 3 months) (Free)
- SMS notification on Deposits (Free)

Notable Card fees

- Monthly card fee (Free)
- Replacement fee (Free)

BOTSWANA LIFE INSURANCE LIMITED

(CONTINUED)



CHIEF EXECUTIVE'S REPORT

2014 was an excellent year for Botswana Life, particularly when one takes the state of the economy into account.

"Botswana Life successfully protected its market share, while maintaining its leadership in the life insurance business."

Catherine Lesetedi-Letegele

Total net premium income grew by 6% from P1.86 billion in 2013 to P1.95 billion in 2014, with all lines contributing positively to the growth. However, when one compares existing business income and new business income, new business income rose by 26%, an amazing achievement given the severe financial pressures facing most consumers. Also encouraging is the fact that lapses – which affects existing business income – continued on their downward trajectory, particularly on contracts that had been in force for longer than one year.

The performance of one of our funeral products, the Mosako plan which is directed at Botswana's large unbanked community, was particularly noteworthy. A cash product with collections effected via the Mascom mobile money platform and Botswana Post, its uptake has been phenomenal. Within just 12 months, the number of premiums increased from about P550,000 per month to some P900,000. This product is very close to our hearts at Botswana Life because it not only offers the poorest members of our society who don't have access to banking facilities a measure of financial security, it also enables their inclusion into the world of insurance and even financial services.

We continue to face immense pressure from competition on our Group Life business line. Having made a firm decision to focus on profitability and to avoid being caught up in an unsustainable price war, our portfolio returned to profitability. The loss of one or two schemes attracted by the promise of (for now) lower prices was more than compensated for by

BOTSWANA LIFE INSURANCE LIMITED

(CONTINUED)

Our products and services

BLIL provides a wide choice of insurance products for individuals and corporates' various and changing needs. These offerings are tailored to suit the insured. The products are broadly classified to cover major life events such as death, accidents, sickness, and retirement or cater for long-term savings.

In-house actuarial capacity is utilised to monitor, review, modify and adapt the different offerings such as Life Cover, Funeral Schemes, Credit Life, Retirement Annuities and many more, some of which are specifically aligned with the country's Vision 2016. Service delivery is of utmost importance, hence the constant refining of service delivery systems/technology and the growth of the Company's distribution channels. In-house actuarial capacity is utilised to monitor, review, modify and adapt the different offerings such as Life Cover, Funeral Schemes, Credit Life, Retirement Annuities and many more, some of which are specifically aligned with the country's Vision 2016. Service delivery is of utmost importance, hence the constant refining of service delivery systems/ technology and the growth of the Company's distribution channels.

our signing several major schemes. We will therefore continue to price sensibly, educate our clients and deliver outstanding customer service in order to maintain our positive momentum.

The annuity line also contributed significantly to our results. We wrote good volumes with very good margins. The regular issuance of Government bonds has been a welcome development and enabled us to match our annuity liabilities this past year with relative ease. We hope to see Government and Parastatals issue even longer dated bonds in the future. This will go a long way to developing our capital markets and consequently our improved ability to match long dated liabilities as well as impact positively on the overall competitiveness of the Retirement and Life Insurance industries.

On the corporate side, which includes our bancassurance initiatives, we strengthened our relationships with all our banking partners: Standard Chartered Bank, BancABC and Letshego. One of the highlights of this was the launch of new products with Standard Chartered, increasing our product offerings from three to about eight and resulting in significantly increased volumes.

A true success story of 2014 – which looks set to continue in 2015 – was our innovative card venture with BancABC. Within just 12 months, the number of card holders more than quadrupled to close to 34,000, who have paid in over P186 million since the inception of this product. Clients are now able to transfer money via EFT onto the card and we are exploring other ways of making it easy for our clients to make this card their primary shopping card. Having laid a very strong foundation with our card we are now in the process of developing a robust LifeRewards Programme which should see our clients enjoying many more benefits in the future.

OPERATIONS

The 15% growth in operating profit – from P276 million to P317 million – is the culmination of three years of hard work implementing our clean-up and stabilisation strategy, and our single minded focus on improving the key business drivers of our business. In effect, we focused on the small things that matter, the things that impact on daily performance – and we found ways to do them better, smarter and faster.

Underpinning our new ethos is what we call our WIGs (Wildly Important Goals) approach. With WIGS, we

STRATEGIC PRIORITIES FOR 2015

We will pursue sustainable growth through diversification of our revenue base by establishing partnerships, penetration of new and existing segments and improving persistency

We will further improve the loyalty proposition offered in the LifeRewards Card in order for it to compare with the best in the world.

defined just three things that we were committed to pursuing: premium income growth; improved customer service and turnaround times; and reduced costs. Each department is charged with finding their own solutions to achieving the WIGs. Once a week all the heads of departments meet for two hours to discuss performance around the WIGs.

This new approach enabled us to significantly reduce our operating expenses, while improving service delivery and income collection.

So, for example, acquisition costs per policy fell by 15% over the previous year; sales increased; client retention improved – in fact we did not lose a single, significant client during the review period; and lapses declined, helping to boost the value of new business growth to an incredible 40% increase over 2014.

The benefits of finally bedding down our new IT systems became apparent in our latest customer satisfaction survey – when clients failed to even mention the system in their responses to questions, a significant change from the previous year's survey.

What the system has done is to enable us to provide a level of service that is unmatched in Botswana. For example, we are now able to visit clients and literally take our systems with us, enabling us to immediately effect any changes that do not require authorisation right then and there in real time. This is just the start of our resolve to relook and triple our efforts to take service to our clients, rather than expect them to come to us.

Despite these successes, we continue to keep an eye on operations. It is an ongoing process. In the next financial year, our focus will be on strengthening operations in the compliance department – ensuring that we have up to date processes and procedures. We will be conducting ongoing audits of the different processes to ensure they are always implemented and used correctly.

In the current year we also devoted considerable attention to improving operations in our call centre. This vital customer channel continued to lag the rest of the organisation in our latest customer satisfaction survey which saw our rating edge up by 2% to 73%. Part of the 2015 strategy, therefore, is to incorporate the call centre personnel into Botswana Life, making it easier for them to internalise the Botswana Life culture while giving the company better control over their activities and performance.

LOOKING AHEAD

While Botswana Life did well in 2014, we dare not risk complacency. We constantly remind ourselves of our reason for existence – our customers, who want and deserve more. We are therefore always seeking to improve and have implemented a new five-year strategy that will enable us to retain our leadership position within the country.

Among our goals is to introduce additional channels to market to make it even easier for customers to do business with us; to target different sectors of the market; to find ways to grow our business without necessarily having to grow our market share; and to ensure all this is achieved while driving costs down. So clients can expect the introduction of new products, and the extension of existing products and the delivery of even more convenience and capability.

We also recognise that if we are to stay ahead, we will have to reinvent ourselves. Now, as we celebrate our 40th anniversary, is a good time to do that.

Looking ahead to the next 40 years, what will be really different will be our impact at a macro level. Our aim is to make a significant social impact that will be of to all citizens. We receive a lot of income from clients and we need to find ways of investing this in the economy of Botswana, creating jobs and really being a solution to some of our economic and social challenges. There is an opportunity again to create meaningful employment for graduates.

During the next five years, we will challenge ourselves to attract more graduates – not necessarily as employees but to empower them to start up their own businesses.

Plans are also afoot to launch a "virtual academy" in partnership with a local tertiary institution. This academy will be for the benefit of Botswana Life, but it could ultimately service the entire industry.

THANKS/ APPRECIATION

I would like to take this opportunity to thank every member of the Botswana Life team who has worked tirelessly and contributed magnificently to the company's outstanding results. It has also not been easy for our partners, our brokers and agents who have given their unwavering support to enable us to achieve our goals.

I would also like to thank the Government for the introduction of the regular bond auctions which has made an immense difference to the way we are able to conduct our business. At the same time, as a custodian of pension funds that can and should be invested locally, there is more we and the Government can do together to boost the economy and create jobs.

Catherine Lesetedi-Letegele
Chief Executive Officer,
Botswana Life

BOTSWANA LIFE INSURANCE LIMITED

(CONTINUED)

NOTABLE ACHIEVEMENTS

BOTSWANA LIFE ON A WINNING STREAK

In an already phenomenal performance by Botswana Life, CEO Catherine Lesetedi-Letegele was also selected as a finalist in the Most Influential Women (MIW) in Business and Government Awards.

Africa's Most Influential Women awards recognises African women who live their lives as exemplary role models in their various societies

The MIW programme is designed to uplift and recognise women across the African continent, providing a platform they can use to celebrate their achievements, while paying tribute to women who consistently effect a positive influence on the African continent.

Under Catherine's stewardship, Botswana Life was able to grow the policyholder assets, as well as shareholder equity, significantly. This was evidenced by the launch of innovative new products including the LifeRewards Card.

A clear example of an accomplished and successful woman in the Group, one of Catherine's achievements to date is becoming the President of Insurance Council Botswana, a body that she would like to see usher in self-regulatory statistics for Botswana's insurance industry. Catherine considers the MIW recognition as an example of how an individual does personally to make a difference, rather than intrinsically linked to her being the CEO of an industry-leading organisation at the awards ceremony. She urged other women leaders to understand the challenges for women inherent in similar leadership positions, further encouraging women to use the MIW platform to inspire fellow women, especially women of more humble means.

LIFEREWARDS IN ACTION @ BLIL

ENJOYING LIFE'S REWARDS WITH BOTSWANA LIFE

We introduced the LifeRewards prepaid card in 2013 to build on our innovative solutions that touch the lives of our customers and partners in a very real sense. The Card improved the customer service experience by simplifying the way payments were processed. We did away with the paper cheque and related waiting times for clearances. Customers were now able to access their funds conveniently and instantly as money was now loaded directly onto the Card. We also enhanced the security of our customers' money by offering a replaceable card that is protected by a PIN number as well as the latest chip security features.

Going beyond providing faster and more secure access for customers to their benefits, Botswana Life took the LifeRewards Card even closer to our customers' lives through another innovation. Leveraging off business relationships with various partners built over 40 years of BIHL's heritage, we helped stretch the value of a Pula for our customers. Life Rewards Card holders now enjoy discounts from selected retailers such as Sefalana Wholesalers; Shoppers stores; Notwane Pharmacy; Avis Rent A Car; Kagiso and Lyns Funeral Parlours; and Seabelo's transport.

Ultimately, we are particularly proud of the fact that we are helping develop Batswana by providing them with leading solutions which save them time and money. Besides these two simple but worthwhile improvements to Batswana's lives, Botswana Life has added new value to our customers who were previously unbanked. The LifeRewards Card has in an instant given our customers access to banking services with no account fees charged. This innovation gives our clients safe and secure access to their funds 24/7 from ATMs and Point of Sale (POS) terminals anywhere in the world. The LifeRewards card from Botswana Life is underwritten by BancABC and is supported by VISA.

LOETO MOSES WINNING EVEN MORE LIFEREWARDS

Loeto Moses was a winner of the LifeRewards promotion which sought to raise awareness of the Card and its benefits. Loeto won himself P1,000 and a 40-inch Samsung LED TV. He says that when he received the Card, he had to be informed about how to use it and what it was for. Soon after, Loeto paid for some purchases at a wholesaler, which led to him winning a LifeRewards promotion prize.

Loeto has been a long-term Botswana Life client who has had the pleasure of enjoying a matured life policy. After the unfortunate passing of one of his children, Loeto was very grateful for the support he received from a Botswana Life funeral policy.

The LifeRewards Card has been an unexpected bonus, one he accepts with the same trust he places in his other Botswana Life products. He advises other users of the LifeRewards Card to simply use it as they have been instructed. Furthermore, people must even deposit any spare cash into the Card; it will become so much more rewarding, he says.

Botswana Life successfully protected its market share, maintaining its leadership in the life insurance business.

BOTSWANA INSURANCE FUND MANAGEMENT

Botswana's oldest and largest asset manager.

Since 2012, Bifm has funded
P600 million
in various industries within Botswana

For as little as
P200 a month
one can invest in Unit Trusts

Botswana Insurance Fund Management is wholly owned by Botswana Insurance Holdings Limited and was established in 1975 as Botswana's first asset management company. Bifm currently manages over P29 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 has also managed to expand regionally to Zambia and has a 49% stake in a Aflife Zambia which deals with asset management and employee benefits in that market.

3
Airport Junction
EUROPA

Bifm HIGHLIGHTS

60% of Botswana's savings

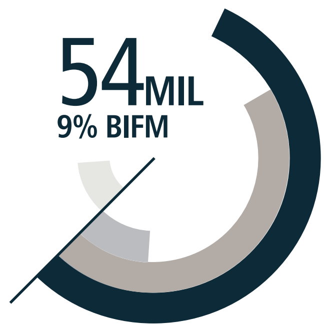
Bifm is the oldest and **largest asset manager in Botswana** with a wealth of experience in Dynamic Wealth Management. Bifm provides financial solutions to individual and institutional clients.

These solutions include: investment, **asset management, liquidity, alternative investments, savings and linked products, property asset management and capital market activities.**

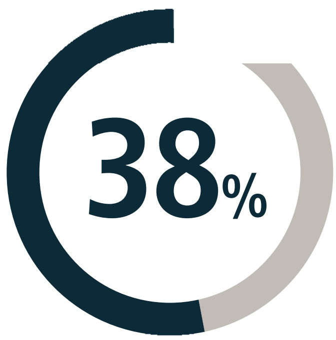
We provide these solutions to various segments of the markets where we operate.

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. In addition, Bifm invested in the country's first five-star commercial office park and, now, adds onto our list of firsts and milestones through the Public Private Partnership through the development of the Office of the Ombudsman and SADC Headquarters.

CONTRIBUTION TO THE GROUP EARNINGS



63%	Botswana Life
44%	Associates
(16%)	Other



of the pension fund industry

PERFORMANCE HIGHLIGHTS

Assets under management increased by **7%** to

P28.9BN

Fee income increased by **13%** to

P111MIL

KEY INNOVATION - THE BIFM UNIT TRUSTS

Unit trusts pool investors' money together to be managed by investment managers in different assets. Bifm Unit Trusts investors have the option of 4 different fund options in which to invest, each with a variety of risk yields and investment criteria as outlined below.

Wants to invest in offshore equities only

Minimum investment: USD1,000; no debit order option

A global equity fund domiciled in Botswana

Priced in USD. Invests predominantly in listed global equities, with a lower exposure to global derivatives and cash. Objective of the fund is to provide long-term wealth creation and capital growth.

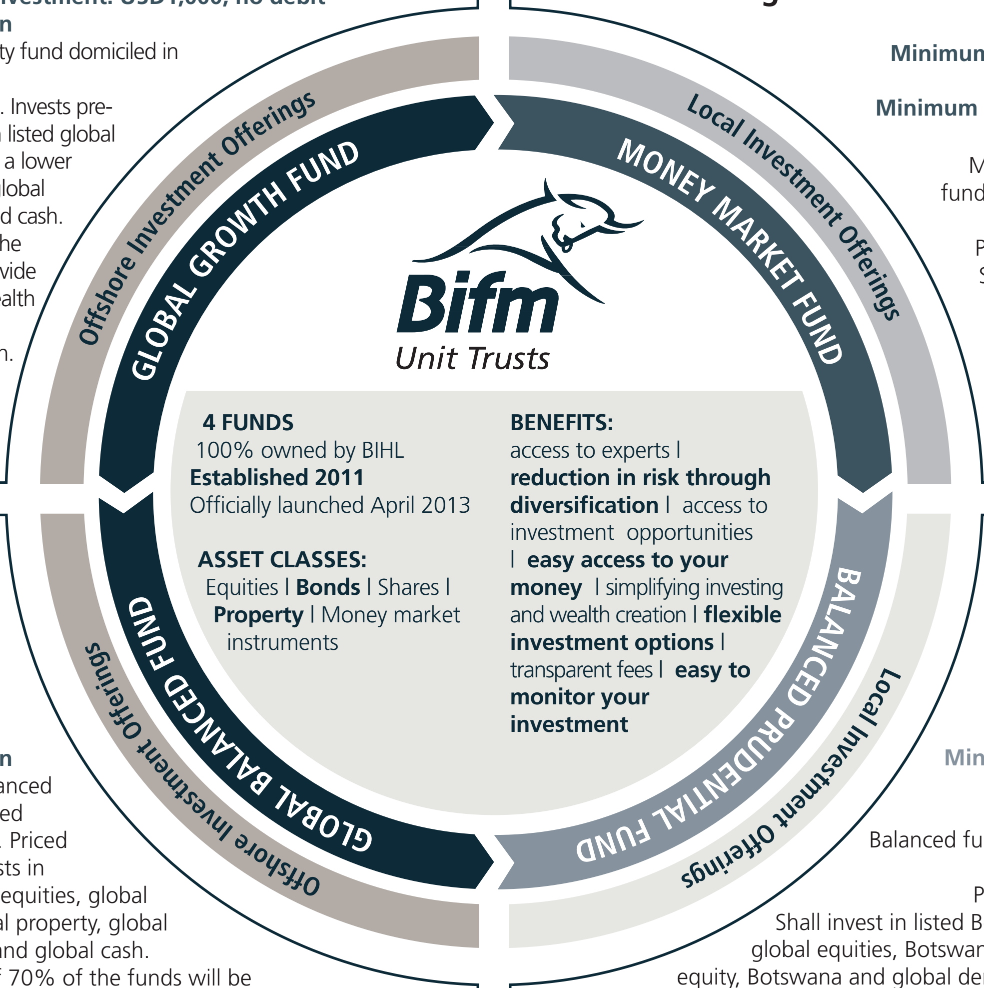
Wants to preserve capital

Looking to earn monthly income

Minimum lump sum: P5,000

Minimum debit order: P1,000

Money market fund domiciled in Botswana. Priced in Pula. Shall invest in short-term yield instruments and cash



Minimum investment: USD1,000; no debit order option

A global balanced fund domiciled in Botswana. Priced in USD. Invests in listed global equities, global bonds, global property, global derivatives, and global cash. Maximum of 70% of the funds will be invested in equities. The fund can have a flexible asset allocation. Objective of the Fund is to provide long-term capital growth, by investing in a diversified range of assets.

Wants exposure to balanced portfolio offshore assets

Looking to invest long-term

Minimum lump sum: P1,000

Minimum debit order: P200

Balanced fund domiciled in Botswana. Priced in Pula. Shall invest in listed Botswana and global equities, Botswana and global equity, Botswana and global derivatives, and Botswana and global money market instruments and cash.

Looking for diversified investment

Very high risk Moderate risk Low risk

Bifm

CHIEF EXECUTIVE'S REPORT

Bifm not only retained all major clients, but grew their investments with the Company.

Bifm's performance in the 2014 financial year was pleasing, particularly in a market beset by challenges and financial and liquidity pressures. Assets under management grew by 7% to end at P29 billion, up from around P27 billion in 2013. The performance of our local investments was good, while our offshore investments contributed to significant growth.

Despite the emergence of new competitors and having to operate in an increasingly difficult environment in which clients themselves were under significant pressure, Bifm not only retained all major clients, but grew their investments with the Company. As a result, Bifm's total contribution to the BIHL Group remained steady at around 9%. Bifm's achievements can be attributed to our implementation of a clear three-pronged strategy:

- get closer to our current clients and identify potential new clients;
- contain operational costs;
- and manage fee structure and costs more effectively.

Our sharpened client focus coupled with improved service with faster turnaround times and better, more accurate and timely reporting, was not only rewarded by client retention, it also enabled us to convert several dual-managed clients into solely Bifm clients.

Several of these clients chose to place all, or a significantly higher proportion of their assets with Bifm.

"We are proud that Bifm remains a leader in its sector. Over the years we have made a name for ourselves as innovators in the financial services space. This has allowed us to remain ahead of the 'herd.'"

Neo Bogatsu

Bifm CHIEF EXECUTIVE'S REPORT

(CONTINUED)

We also re-evaluated our offer strategy to ensure our payment regime was in line with the market; and we renegotiated our fees with our offshore managers, passing this benefit on to clients. Bifm continued to work at keeping operational costs in check, a requirement which became ever more urgent as a result of a reduction in our fees. Although we incurred some unexpected expenses that had not been budgeted for, I am satisfied with our efforts in managing our cost base.

ASSOCIATES

The Zambian operation continued to perform well. However, unanticipated, once-off, exceptional costs resulted in the final results coming in lower than had been anticipated. We expect results in 2015 will once again more accurately reflect the operation's true performance achievements.

In total, associate companies in which Bifm Holdings has invested shareholder funds contributed P63 million to the company. This is a 47% increase on the previous reporting period's P43 million. This includes our shareholding in such developments as Airport Junction, as well as in KYS and Khumo, all of which performed well in the review period. The overall results of our associate operations would have been higher had we not been obliged to dispose some of our shareholding in Quantum Asset Management in Zambia.

UNIT TRUSTS

2014 was the first full financial year's operation of the Unit Trust subsidiary. Although a subsidiary of the BIHL Group, it is managed by Bifm.

On paper, its results were somewhat disappointing in that it failed to reach the targets set in terms of assets under management. However, that is a product of our expectations rather than a true reflection of its performance and potential. With the concept of collective investment undertaking being relatively unfamiliar in Botswana, we have had to undertake a considerable amount of market education. The market is starting to appreciate, for example, our ability to offer a suite of products that allow clients to choose their preferred exposure to currency fluctuations and other risks. While individuals are responding favourably, many remain wary of placing all or even a significant proportion of their assets in these unfamiliar products. We believe this will change over time as the products start to demonstrate their value. The concept has been well received by collective investment groupings and savings societies, but their investment decision making processes take longer than we anticipated. We are confident that investment funds from these organisations will start to flow towards Unit Trusts offerings in the current year, translating into positive results for the division.

GOVERNMENT AND REGULATORY ENVIRONMENT

The introduction of quarterly bond auctions by the government has been exceptionally beneficial. As an organisation, Bifm manages funds for vastly different periods, ranging from months to decades. The introduction of the bond auctions enables us to match our annuity book and assets more closely than ever before. Previously, Bifm had to devote considerable energy desperately searching for suitable assets to match our liability profile at any given time. The availability of good rated Government bonds gives us a chance to be more selective in our business dealings and opt for potentially more profitable deals.

In other respects, our relationship with the Government and Government institutions has also improved.

Support and empowerment: developing our economy

When we first opened its doors 40 years ago, our key objective was clear: to support and empower Batswana with relevant financial solutions. Our desire to play a key role as a contributor to the growth and development of the industry and the wider economy, was steadfast. 40 years later, this passion has only grown stronger. Not only does the value of investments we handle continue to grow exponentially, but the value of what we invest in the development of communities and industries continues to multiply. We have invested, to date, in growing industries ranging from fast moving consumer goods and retail, to micro-lending, banking to state owned enterprises. Support and empowerment were amongst the cornerstone principles we lived and worked by when we first opened our doors, and remain so 4 decades later.

Concerns expressed by Government with regard to fees have been addressed and resolved to our mutual satisfaction.
At the same time, industry concerns with the way in which the regulator was being funded were also addressed. Industry players now have greater insight into NBFIRA's budget and expenditure. Communication between the regulator and industry has also improved markedly, enabling a better mutual understanding of concerns and goals. All this is positive for Bifm, the entire asset management industry and ultimately, investors and the country as a whole.

OPERATIONAL REVIEW

Bifm has consolidated its offshore operations, putting all administrators under a single umbrella. Not only has this produced economies of scale benefits, but it has resulted in significantly improved reporting quality and turnaround times to both clients and the regulator. In addition, it has enabled us to have a holistic, at-a-glance view of all our offshore activities, an operation which previously required many hours of consolidation and analysis.

The risk associated with our continued reliance on a few major clients remains a concern. Bifm therefore devoted considerable attention to developing and implementing diversification strategies. In reality, we are no different from the Government of Botswana which has placed diversification as a means to reduce the country's reliance on mining, as a strategic imperative.

While we have made progress with our diversification into activities that are not directly related to our core asset management function, the hard truth is that they would not compensate for the loss of a major client, should this occur. Our strategy, therefore, is to seek to diversify our client base as much as possible.

We are starting to make progress in this regard. However, we will not neglect existing clients and a key component of our strategy is to strengthen our relationships with them while delivering outstanding service.

At the same time, our focus on cost containment has not faltered, but with the provision that performance and service delivery are not adversely affected. The performance of all Bifm employees, from our professional staff and sales personnel to support staff are measured on a balanced scorecard that has been specifically tailored for each role. It's a tough but fair methodology, and the results have been reflected in improved service delivery and cost containment.

Our major shareholder, Sanlam, continues to provide valuable technical support as and when required.

LOOKING AHEAD

Encouraging Batswana to start saving and investing to ensure they secure a better future for themselves will be our main focus going forward. At the heart of our efforts is the concern that Batswana households are over indebted, as well as the low pension fund industry net replacement ratio which is not adequate for retirement income.

THANKS

Our former Chief Executive Officer, Ms. Tiny Kgatlwane, left the business at the end of February after almost five years at the helm of Bifm. We thank Ms. Kgatlwane and other colleagues who have left the business, for their contribution to making Bifm what it is today. We wish them well in their future endeavours.

Overall, 2014 was a difficult year for Bifm staff who had to work smarter and harder to bridge the gap left by the fee reduction and containing costs, while also attracting new clients. I want to thank each and every one of them for their efforts and invaluable commitment to the business.
I would also like to thank our Board for their time, energy, effort and patience in challenging and pushing us to achieve more than we might think possible.
Finally, my thanks go to our loyal clients. Despite a drop in asset revenue from a single client, we retained all our major clients in 2014. This is a reflection of their belief in Bifm's ability to meet their requirements and their confidence in Bifm as their asset manager. We appreciate this and pledge to continue providing the service and results they deserve.

Neo Bogatsu
Acting Chief Executive Officer, Bifm

STRATEGIC PRIORITIES FOR 2015

Investigate other avenues in order to diversify and grow our income

Actively seek more opportunities in the structured finance space so we can make greater strides to impact Botswana's Economic Development

LEGAL GUARD

Botswana's leading legal expenses insurer

Internal attorneys at any of our

11 branches

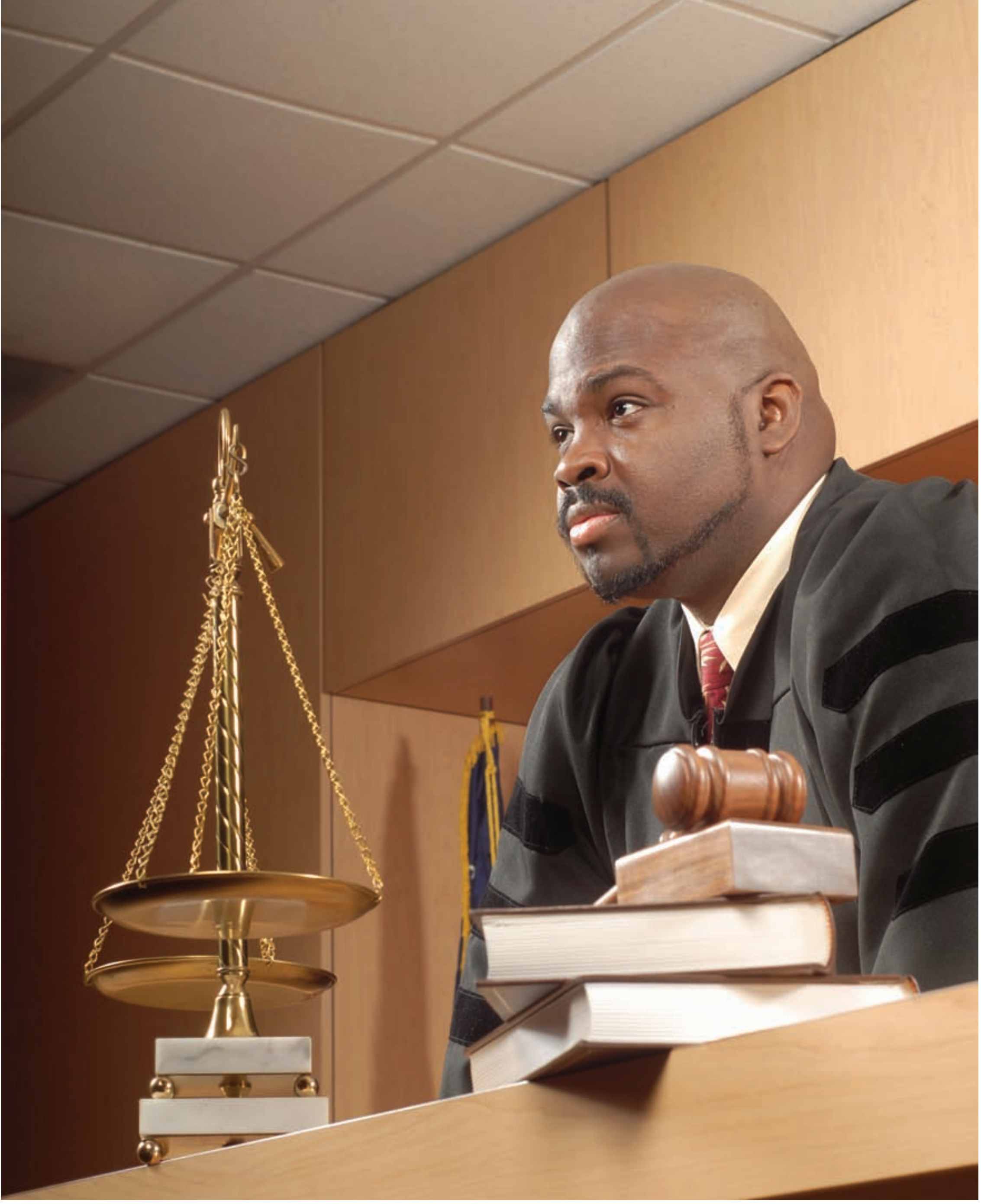
countrywide

More than

86 000

People can't be wrong

Legal Guard is Botswana's leading legal expenses insurer, and has been the key to Batswana's justice for the last 10 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.

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LEGAL GUARD

GENERAL MANAGER'S REPORT

2014 was a watershed year for Legal Guard. After being acquired by BIHL in 2010 and experiencing an excellent 2011, profit margins started to slip in 2012 brought by significant challenges to the Company, some of which continued well into the review period.

The most momentous event of 2014 was the decision by the Board to do two things: restructure Legal Guard and at the same time to sell off the the general short-term business to Botswana Insurance Company (BIC). Although difficult, it was a decision that had to be made in the best interest of our shareholders, the BIHL Group, staff and, ultimately, clients.

This decision was informed by the fact that due to tough competition in the market,the general short-term business was not able to grow at a level that could sustain the business and the margins realised were flat. Further, the growth of the portfolio was skewed towards motor insurance which, by its very nature, experienced significant claims.

As a result, the business needed repeated and significant shareholder capital injections to remain afloat. Once the prospects of a turnaround were deemed to be extremely remote, a decision was made to sell it to a third party and focus rather on the original business: Legal Guard.

"We are proud that the Legal Guard brand has become the best known in Botswana. We continue to help tens of thousands of people with legal services ranging from criminal and civil matters to contracts and wills."

Mike Dube

One of the most significant initiatives accompanying the introduction of general short-term insurance was the investment into a new Information Technology solution to accommodate both businesses and bring efficiencies and improvements in customer service and the overall value proposition to the client. Roll out of this system was met with numerous challenges, particularly as it had to be tailored to meet the requirements of a specialised, niche insurer like Legal Guard. These issues negatively affected Legal Guard's performance in 2013 – contributing to in an unprecedented loss of P8.6 million. While a solution to the challenges is being implemented, challenges resulting from the unresponsive IT system continued into 2014.

Additional issues that were affecting performance were also identified and are being rectified – with the result that, in the year under review, revenue grew by almost P5 million and policy sales more than trippled. This resulted in a significant turnaround for the Group, with the underwriting loss declining by a disappointing P8 million to just P600,000.

We are, however, confident that the Company will show a return to profitability in 2015.

LEGAL GUARD MANAGING DIRECTOR'S REPORT

(CONTINUED)

A turnaround strategy which addresses the five major challenges facing the Company was developed and implementation started in June 2014:

1. **Sales:**
   An improvement in sales required the integrity of our data to be accurate to enable timeous collections and renewals. Because we did not have the in-house skills to address deficiencies in the IT system, we requested assistance from the IT vendor.

2. **Costs:**
   New ways of doing business had to be explored to bring efficiencies and reduce overhead costs.

3. **Structure:**
   We looked at whether our structure was in line with the needs of the business.

4. **People:**
   It became imperative that we made a determination on whether the business had the right people with the right skills in the right positions as well as a good corporate culture.

5. **Information Technology:**
   We had to determine whether the deficiencies in the IT system could be rectified or whether it would be more cost-effective to implement a different IT solution.

After an evaluation of our key functional areas and the skills available to fill the required roles, we came to the painful realisation that some people would not fit our new structure and would have to be separated. The separations were effected and concluded by September resulting in a net reduction in head count.

A major concern to the Company was the unacceptable rise in claims payouts. These had doubled between 2012 and 2013, consuming more than 40% of revenue. This challenge is now being addressed. We have devoted time and resources to evaluating our internal processes; the nature of claims received; procurement of external

Legal Guard's core mandate is to sell and administer affordable and appropriate legal expense insurance products and services that are easily accessible to all Batswana. Over a decade later we remain true to our mandate.

LEGAL GUARD

PERFORMANCE HIGHLIGHTS

Revenue grew by almost **P5MIL** in 2014

P38.6MIL million worth of Premium Income received in 2014 up from P**31.5 million** in 2013

14% growth in revenue

Claims remained within budget

STRATEGIC PRIORITIES FOR 2015

- Leverage Group strength (client base and relationships)
- Performance Management
- Market presence

attorneys and other third party services; and the rates we paid out including staff levels and skills on hand.

A critical finding was the fact that we had failed to create a balance between work done internally and work outsourced, with almost all claims sent to external attorneys at a significant cost and delay to clients. Adherence to our own rules with respect to policy wording was a challenge, whilst monitoring of invoicing for work done was not adequately tracked.

Towards the end of 2014, a number of changes were being put into place to remedy these deficiencies. Significantly, the business took a decision to do away with two sets of external lawyers, leaving only one panel which is remunerated on a time and material basis.

This is expected to improve the turnaround of client cases and guarantee Legal Guard value for money for work externalised. Internal processes are also being amended to conform to the changes whilst staff training and a culture of performance management is being entrenched to foster and improve productivity levels.

The results of our initial efforts in our turnaround strategy are evident. In June, when we started, we expected revenues to remain flat compared to the previous year. By December, our revenue, which was driven by impressive new policies sold and significant data fixes, grossed P38.6 million – up from P31.5 million realised the year before. Revenue grew 14% between the first and second halves of the year. Claims were contained within budget at P17 million while commission costs grew 12%, also well within the desired target range to reflect the effect of new sales.

However, implementing the changes that needed to take place to support initiatives such as increased marketing, travel, training and Information Technology upgrading pushed overhead costs up.

We however remain optimistic that this will not continue into 2015.

Our goals for 2015 – a return to profitability and more effective management of claims – will require a greater investment in training and development as well as performance management. We are working on developing a new ‘can do’ culture within the organisation; revising our product offering; and reviewing our policy wording to remain both relevant and to adhere to regulatory requirements. All these initiatives are part of the recently launched three-year Legal Guard Strategy that also includes the rebranding of the business.

We are very proud of our team. Their spirit of resilience contributed to Legal Guard’s considerably improved performance in 2014. Their dedication and innovation led to significant new initiatives such as a locally developed website and Twitter account which allow the business to interact seamlessly with our clients. These initiatives are expected to not only provide a channel of communication with clients but also become available for product distribution and claims lodgements. Used effectively together with the recently launched telephone based legal advisory solution, they bring excitement and real value to our customer base.

As I conclude, I remain confident that we have set the foundation for a solid performance in 2015 and the years thereafter.

Mike Dube
General Manager,
Legal Guard

HUMAN RESOURCES REPORT

There were many highlights for the Group Human Resources function in 2014, but also some less pleasant events.

First the highlights. We concluded the two-year Wellness Programme that commenced in 2012 with a Group-wide Wellness Day. We also started seeing our efforts to integrate Group resources – to truly capitalise on our theme 'Strength in Numbers' – begin to bear fruit.

Interestingly, our Wellness Programme served as an indirect catalyst for the growing integration across the Group. Previously, wellness initiatives were sporadic with each subsidiary doing its own thing which might not have been what the Group needed. By handling the Wellness Programme at Group level, we were not only able to ensure consistency across the Group with regard to all issues around health and wellness, but we were also able to engender a camaraderie, a common purpose among employees.

The Wellness Programme was initially introduced to help identify issues that were contributing to the rising health costs within the organisation. These included a growing rate of absenteeism; more frequent visits to medical professionals but fewer prescriptions being issued; and other disturbing indications that showed that all was not well with our employees.

The success of the programme has been immense. It has not only resulted in awareness among our people of wellness risks, it also empowered them to take active steps to reduce these risks. It has also had a measurable positive impact on our health costs.

The conclusion of the two-year programme was celebrated with the Group's first Wellness Day in which employees from across the country participated.

This drove the engagement and involvement around the common cause, once again contributing to a feeling of being part of the greater BIHL family. To get the maximum impact and involvement of our staff, we followed a structured and rigorous schedule filled with activities around team challenges and exercises. The programme included an education drive; HIV/AIDS tests; a blood donation drive; and information sessions with various wellness and health care providers.

Since the restructuring of the Group some four years ago, HR's main task has been to standardise HR-related policies – from pay practices to development - across Group companies so that everyone feels aligned to and part of the Group. To ensure consistency, everything HR-related was moved from the subsidiaries to the Group, where it was defined and then cascaded back to the subsidiaries.

While this was achieved in a relatively short period from an administrative perspective, we had to determine the extent to which employees believed they were part of one Group and also what sort of experiences we had created for each employee.

The results revealed that many still felt that there were inconsistencies and that the Group was continuing to operate in its old silo.

What was needed was ways to build bridges strong enough to allow talent in one subsidiary to move to another should they wish to do so.

This required further revision of policies, a task that has now been completed. The results have been twofold: the inherent barrier between the operating silos has been broken; and talent has been unleashed as new avenues for employee career development within the Group have opened. This development addresses one of the key concerns raised by staff during our participation in the 2013 "Best Company to Work For" survey – the fact that they believed there were insufficient opportunities for growth in terms of their careers and training. There is a clear policy in the business in this regard which is continually refined. We will once again participate in the "Best Company to Work For" survey in 2015 in order to measure the extent of improvements achieved. In terms of development initiatives in 2014, five of our most promising successors to our executive suite were sent on University of Stellenbosch's Senior Management Development Programme to prepare them for their future leadership roles. The first cohort of these trainees graduates in the current financial year. The precedent has now been set and more talented young people will be involved in similar programmes in the future. Our goal is to ensure that by 2018, we have sufficient locals with the training and skills to take up more challenging responsibilities and possibly have them ready to take on executive roles within our business.

Why we view people as one of our Strategic Pillars

Most organisations will declare that People are their most important asset. This is a business fact. What is sadly also a fact however is that not all organisations maintain and groom this vital asset. At BIHL Group we believe we are different. We believe that our love for people comes from the basis of our core products and services.

Most of what we do across the Group is to help people. Some days we are the helping hand ensuring future value of ones' wealth. We are there to help out when life happens. We are there looking after the investments of those getting ready to retire.

We are a Group that is concerned with People all the time. Internally we are no different. Our staff, our partners and even some of our suppliers will confirm the level of training and development we offer. We believe that the sharper the tools, the better. The result of these sharper assets, our People, is clear to see on the bottom line.

On the other side of the coin, the restructuring of the short-term insurance business and optimisation of Legal Guard was a stressful and difficult undertaking with 23 individuals leaving the Group. However, some positives did emerge from the exercise: the entire process was handled by internal resources in record time, within budget and within the legal framework set out by the Department of Labour.

Another positive was that all of those who left the Group were quickly absorbed into the market, with competitors approaching us to ask for referrals.

For the HR department as a whole, our role at Group level going forward will be to promote employee engagement, development, talent, mobility and collaboration across the Group. In addition, we aim to ensure that there is always a sense of equity and fairness for our people to feel that they are indeed part of the BIHL family. There is still much that needs to be done in this regard.

Feedback from our staff is that we have to communicate more so that everyone knows what is happening not only within their own subsidiary, but also across the Group.

On the following pages we celebrate some very special and loyal BIHL family members. It is with theirs and the hundreds of other team members' unrelenting support that we are the organisation that we are today.

OUR PEOPLE

Setswana has a saying that BIHL embodies in a very tangible way, 'Motho ke motho ka batho.' There are many ways to translate the saying, however, we prefer the one that says 'People help build each other.' The saying speaks to the efforts of the phenomenal men and women who keep BIHL and its subsidiaries at the forefront of their industries. BIHL in turn supports its employees in various ways that include personal and academic development, socially through various staff social clubs, as well as supporting some of the staff's charitable initiatives. The following portraits give colour to BIHL's 40 year heritage in the words of our longest serving staff members across the Group.

Localised

In **2014** a majority of our executive vacancies were filled by talent who were groomed as successors for the roles, **indicating our commitment to giving our talent the opportunity to grow and stretch themselves for more challenging roles.** This was the highlight in our succession plan.

Head count

360 Full time staff

880 Brokers and agents

353 Batswana

PERFORMANCE HIGHLIGHTS

Retention of critical talent

98%

300 employees undergone Health screening

360 Full time employees

Our Well@work wellness programme made major strides in its first year. Over 300 health screenings were conducted across our businesses. A further 6 health education workshops were conducted across our businesses ranging from stress management to vascular diseases. **Over 10 Wellness Champions and 13 First Aiders were trained across our businesses.**

EVENTS

A WELLNESS STATE OF MIND

Group Wellness Day 2014

The health and wellbeing of our People continues to be an area of strong focus at BIHL Group.

With a record turnout, BIHL Group held its annual Wellness Day with the intention to bring greater attention to the importance of wellness in body, mind and spirit. This proved to be the biggest Wellness Day ever, with staff coming together from across the Group and its subsidiaries for a single gathering.

Staff came out in great numbers to enjoy such activities as Zumba, Kata-box, Hi-low, and Afro Dance Fusion. With a number of key team building exercises on the agenda, it proved to be an exhilarating experience for all, with a greater appreciation for the importance of taking care of oneself, and a testament to the Group's belief in taking care of its people.

COMMEMORATING MOVEMBER

The 1st of November marks the beginning of Men's Health Month, commonly known as MOVEMBER.

A great part of our efforts in promoting wellbeing involve actively encouraging greater awareness around health issues.

During this time, men across the world are encouraged to pay a little more attention to their own wellbeing by getting their annual prostate and other male-specific cancer check-ups, as well as committing to leading a healthier lifestyle.

The BIHL team joined other self-preserving men from around the globe to show their commitment to raising awareness about men's health by letting their moustaches and beards grow freely throughout the month of November.

HUMAN RESOURCES REPORT

The story of BIHL Group is one populated with inspiring and incredible people. Here, we visit some of the amazing individuals who have helped shape our narrative and bring real personality to the business over the years.

1996

THUDISO MOSARWA started at BLIL as a temporary employee, a position she held for about 6 months. She was fresh from school with no corporate work experience, but went on to be hired as a Premiums Allocations Clerk. Thudiso then went on to be promoted within the first two years of being at Botswana Life.

1998

Thudiso was promoted for a second time going from being a Premium Allocations Clerk to a newly created position called a Premium Liaison Assistant which carried more responsibility despite having the word 'Assistant' in the title.

1999

In 1999 she applied for a position in a different division of Botswana Life because she wanted to test the waters. She was then appointed as a Benefit Payments Assistant in January 2000, a year which matched her then salary of P2,000 for the position.

1998

October 2001 – August 2003 marked Thudiso's return to Premium Allocations department to assume a slightly higher position. The Company wanted to groom her for a supervisory role of Premium Liaison Administrator. She was finally was promoted into an acting position before being confirmed as the Premium Liaison Administration position.

2001

2001 is also the year she began working with Daphne Smuts who together with Thudiso would develop a strong relationship between Botswana Life and Paypoints (revenue collection sources). The Botswana Life Paypoint Seminar, which lasted over 10 years, showed appreciation towards the Paypoints who were an important partner for the business. The motivational seminar was very popular featuring speakers with diverse interests as extreme mountain climbing to wildlife conservation.

2005

During a restructuring process at Botswana Life her title changed to Service Executive Premium Administration. The change meant that the PremiumAdministration and Premium Liaison departments were combined into one, falling neatly into her experience capabilities.

The Botswana Life CEO took all her staff to watch a performance of 'Joseph and the Amazing Technicolor Dream Coat' at Maitisong. It was the first time she had heard of a CEO taking the whole staff on such an excursion. Thudiso felt valued and the story made her view life values differently and also being part of BLIL team more positively.

2010

2010 saw Thudiso become a Paypoint Relationship Executive, however she was also seconded for a year to the Thito Project as its Ambassador within Botswana Life. Her role as Ambassador was to promote the benefits of the new system to BLIL employees. During the Thito Project she prepared and documented many of the processes for the programme which was trend setting in the insurance market.

2013

July 2013 came with a move from life insurance to where she currently is, in the legal insurance side of the business at Legal Guard, where she is a Collections Supervisor. At Legal Guard her role was to manage all aspects related to premiums collecting departments of the Business, a demonstration of her growth as a professional.

1994

JUDITH MAPITSE

In January 1994 IGI and Botswana Life merged and this is how Judith Mapitse (who had joined IGI in 1991) joined the Company 25 years ago as a Customer Service Liaison Officer. Her role included assessing claims and signing the payment cheques which is similar to the role she has today, except she now has more responsibilities which include performance management of her team.

1995- 1998

Judith requested a move to Francistown when her husband was transferred there for work. At the time Botswana Life had only a new business department so she initiated the Customer Service Department in Francistown. She was alone in that department at the time doing everything from answering phones to assessing claims and issuing payments. She eventually started training people for the Customer Service Department. Botswana Life established new branches in Maun, Palapye and Phikwe and she also trained the staff for those offices through the phone.

In 1998, upon her return to Gaborone she started working in the payments department. Her knowledge gleaned from the days when all processes were manual helped her train the team to understand their jobs better in that department.

2001

The Boobi system was introduced to replace the Klaas system. The new system networked with the then 6 Botswana Life branches around Botswana, enabling claims payments to be issued centrally. During the initiation stages of the programme, she was at one time in charge of 10 passwords to issue payments. After the system had been tested and was ready for roll out, she began training more of her team.

2008

was the year Judith completed the Trainer of Trainers programme which assisted her ever since in selecting her Team. From that year she insisted on personally interviewing people for her department. She was based at the Mall Branch at the time, and ensured that she imparted all she knew to all her staff. She had to share all she knows with her team to make sure they are independent, so that even if she is not available, work would still be able to continue. She can proudly state that there are 5 people who came through her departments that have gone on to be executives in Botswana Life.

2012

Thito which had a very challenging beginning was introduced in 2011 and presented an opportunity for her to work on the project from BIHL compiling and checking the accuracy of the programme and reports.

HUMAN RESOURCES REPORT

(CONTINUED)

1997

GAEYO MOSHODI

Gaeyo Moshodi joined BIHL on 5 May 1997 as Administration Supervisor at Botswana Life Insurance Limited (BLIL). At that time the Company was much smaller so she got to meet everyone in BLIL and the Group office including the then Group MD, John Burbidge.

1998 - 1999

1998 Gaeyo was promoted to position of Assistant Manager (Administration) then a year later in 1999 she was promoted to head the department as an Administration Manager.

On the 1st January 2000 Gaeyo was appointed Personnel and Administration Manager, she was supervised by Batsho Dambe-Groth whom Gaeyo grew to appreciate for her humility and willingness to teach her successors.

2003

Gaeyo advance once again as she was appointed Divisional Manager - Support Services responsible for Human Resources, Administration and Corporate Communications

2005 - 2014

Following the restructuring exercise in 2005 she was appointed to the position of Human Resources Service Delivery Manager. During a job rationalisation exercise to meet the Group strategy, Gaeyo appointed Compliance and Employee Relations Specialist at Group office in April 2011. 17 years later Mma Moshodi, as she is fondly known holds an MBA among other qualifications which she achieved through support from the company. Though Gaeyo will reach retirement in 3 years, she is currently doing a course on Counselling which she thinks may give her the opportunity to continue to assist employees of the Group as a consultant.

2004

KEFILWE DIANE

In September 2004 Kifilwe Diane joined Legal Guard as a data capturer. The 25 year old was inspired by the then GM Mr Keletsositse Olebile, who wasn't afraid to roll up his sleeves and pitch in with the team.

After 6 years with the company during the 2010 sale of LG to BIHL Group, Kefilwe received counselling as part of the restructuring process. The counselling encouraged her to always be prepared for life's challenges by planning better for her future.

2014

10 years later in 2014 Kefilwe is now a New Business and Policy Administration Assistant who is completing a Business Administration degree to further improve her qualifications.

"We are privileged to have had thousands of people permeate the BIHL story, and these are just a handful of many inspiring tales and anecdotes from our wider BIHL family. Each and every one has contributed in some way to who we are today."

1992

CONSTANCE RAHUBE

Joined 1992. In 1991 Constance had recently joined Botswana Insurance Company and was still on probation when the company separated to from two businesses, General Insurance and Life Insurance.

1993

In 1993 she was a typist and receptionist in the marketing department of Botswana Life, a department which would grow to become Botswana Life's Individual Life department. She was part of a 3 person team headed by Spana Motsisi as the Managing Director and Beauty Buka as administrator.

2005

Over the years she grew through the business going through various departments including marketing, help desk, administrators and customer service amongst others until she was appointed to her current position of PA to the BLIL CEO and Executive Secretary in 2005.

2014

Constance appreciates how BIHL supports the community, and is proud to have a more hands on role though an employee charity group called Lesedi. In 2014 the charity group raised BWP183,000 towards Abian Ntsabele's cancer treatment by contributing their leave days.

DARLY KWAPA

2004

Darly counts herself as the 1st employee for Legal Guard (LG) when she joined as a Data Capture Clerk on the 1st of May 2004. She soon realised that LG had corporate culture aligned with having a strong academic background and set out to develop her skills.

2005- 2014

In 2014 Darly was amazed by the 'Boxes of Love' initiative which was something really special for her. Each employee was challenged to fill a box with an assortment of gifts to be given to disadvantaged kids at Christmas. It gave everyone a chance to interact personally with the children.

Darly says they discovered that many people were not aware of basic laws and through their services Legal Guard has since empowered many of its 65,000 customers with basic legal knowledge.

Darly is currently a Sales Administrator, a position she attained through professional growth over 10 years supported by the Group. Darly also benefitted from mentorship by LG leadership including Tefo Mosimaneotsile, Lucky Mmotseng and Fortune Mukoma.

4

SUSTAINABILITY REVIEW

WE CONSTANTLY STRIVE TO IDENTIFY WAYS TO ENSURE PRESERVATION AND BETTERMENT OF OUR COMMUNITY AND OUR ENVIRONMENT.

SUSTAINABILITY HIGHLIGHTS

COUNTING THE COST, PLANNING TO SAVE

SURE! BY BIHL

Through the sale of BIHL Sure! **staff numbers were significantly reduced** leaving a smaller staff compliment for Legal Guard.

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

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, 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 which 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.

WATER

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

ELECTRICITY

BIHL reduced its office **electricity usage by almost 65%** which is possibly through the unstable power situation in the country.

PRINTING

There was an **almost 3% reduced** in the use of printing paper experienced throughout the business as email communication was encouraged though out.

	ACTUAL Dec-14 P	PRIOR Dec-13 P	%
BIHL			
Office Electricity	102,561.06	290,829.45	(64.73)
Office Water	7,442.00	5,544.00	34.24
Printing	722,586.92	743,808.37	(2.85)
Cellphone	347,477.58	92,250.21	276.67
Telephones & Fax	167,868.71	2,013.50	8,237.16
Totals	1,347,936.27	1,134,445.53	18.82

	ACTUAL Dec-14 P	PRIOR Dec-13 P	%
BOTSWANA LIFE			
Office Electricity	647,413.11	1,124,757.5900	(42.44)
Office Water	92,110.35	71,226.0100	29.32
Printing	436,645.42	419,627.9400	4.06
Telephones & Fax	2,630,592.43	1,480,481.1500	77.68
Totals	3,806,761.31	3,096,092.6900	22.95

	ACTUAL Dec-14 P	PRIOR Dec-13 P	%
BIFM			
Office Electricity	166,418.85	136,912.00	21.55
Office Water	7,026.90	6,867.74	2.32
Telephones & Fax	644,384.08	387,255.02	66.40
Totals	817,829.83	531,034.76	54.01

	ACTUAL Dec-14 P	PRIOR Dec-13 P	%
LEGAL GUARD			
Office Electricity	102604.40		
Office Water	9606.76		
Printing	265013.53		
Telephones & Fax	135265.01		
Totals	512,487.70		

BOARD OF DIRECTORS

Batsho Dambe-Groth (49) +++
Board Chairman

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

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

She is also a Director of Botswana Craft Marketing, Etsha Weavers Group, Boitekanelo, Gems of Kalahari, and is a Council Member of Maru A Pula School. Ms. Dambe-Groth has a BSc (Hons) Occupational Psychology from the University of Wales Institute of Science and Technology and is a Fellow of the USA Fulbright Humphrey Programme.

Gaffar Hassam (39) +
CEO - BIHL Group

Gaffar Hassam was appointed as the Chief Executive Officer of BIHL and became a member of the BIHL Board on 01 December 2011. He joined the Group in 2003 as Botswana Life Insurance Limited Finance Manager and BIHL Company Secretary. Prior to his current appointment, 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. He was appointed as Acting CEO of BIHL in April 2011.

Mr. Hassam, who is also a Director of Letshego Holdings Limited and Botho University, 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).

John Hinchliffe (58) +++

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; DCDM Consulting (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 BIHL Insurance Company Limited. He has a BA (Econ) Honours degree from Manchester University, FCA (England & Wales) and he is a Fellow of the Botswana Institute of Chartered Accountants (BICA) as well as being a fellow of the Institute of Chartered Accountants in England and Wales.

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

Mahube Chilisana Mpugwa (47) +++

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 the Botswana Development Corporation 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.

In addition to overseeing the Botswana Operations, Mahube was recently appointed General Manager for Puma Energy businesses in Lesotho and Swaziland.

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

Robert Dommisse (46) ++

Robert Dommisse is the Executive Director for Mergers and Acquisitions at Sanlam Emerging Markets (Pty) Ltd. He was appointed to the BIHL Board on 20 November 2012. Mr Dommisse is a Chartered Accountant who joined Sanlam in 1994 after completing his articles at Ernst & Young. He has worked across the Sanlam Group in various roles and served on the Boards of a number of Sanlam subsidiaries. He currently also serves as a Non-Executive Director of Pacific and Orient Insurance in Malaysia.

Mr. Dommisse was appointed the Chairman of the BIHL Audit and Risk Committee on 11 February 2013.
His qualifications include an EDP (Manchester Business School), MBA (cum laude) from Stellenbosch University, a Diploma in Investment Management (RAU) and he is qualified as a Certified Financial Planner (CFP).

Heinie Werth (51) ++

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. Accountancy and Honours degree from Stellenbosch University, MBA (cum laude) from Stellenbosch University and an EDP from Manchester Business School.

BOARD OF DIRECTORS
(CONTINUED)

Chandra Chauhan (52) +++

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 billion. He is the Chairman of the Board of Botswana Insurance Fund Management (Bifm). Mr. Chauhan has a B. Acc (Hons) from the University of Zimbabwe, ACA (England & Wales) and ACA (Botswana).

Andre Roux (53) ++

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 the Chairman of the BIHL Investment Committee. Mr. Roux holds a BCom (Hons) (Economics) from University of Stellenbosch and an EDP from Manchester Business School.

Mpho Seboni 53) +++

Mpho Seboni is Managing Director at Spencer Stuart (South Africa), part of the global Spencer Stuart consultancy which advises clients on top leadership challenges. He has extensive experience as a Senior Management Consultant in the areas of business strategy, business process re-engineering, organisation restructuring, executive search and corporate governance. He was appointed to the BIHL Board on 14 September 2011. A Botswana citizen, Mr. Seboni began his career at Debswana and also worked for the Water Utilities Corporation in Gaborone as Corporation Secretary and Administration Manager before moving to South Africa in 1991. Mr. Seboni assumed the role of Chairman of the Human Resources Committee in August 2013.

Mr. Seboni has a BA (Economics & Psychology) from McGill University, Canada; and an M.Sc Management Studies from Oxford University.

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

Gerrit van Heerde (Not in picture) (47) (alternate to Robert Dommisse)

Gerrit van Heerde is Chief Financial Officer of Sanlam Emerging Markets (Pty) Ltd. He was appointed to the BIHL Board on 03 September 2014. 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 to his current position in 2012.

He serves as a Director on various Boards in South Africa, 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.

Tertius Stears (Not in picture) (43) (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

Members of the Botswana Insurance Fund Management Limited Board (Bifm)

Chandra Chauhan (Chairman)
Tiny Kgatlwane (CEO)
Mahube Mpugwa
Andre Roux
Robert Dommisse
Premchand Shah

Members of the BIHL Insurance Company Limited Board (BIHLIC)

John Hinchliffe (acting Chairman)
Batsho Dambe-Groth
Lourens Joubert
(appointed 30 July 2014)

Independent Review Committee

John Hinchliffe (Chairman)
Chandra Chauhan

Members of the Bifm Unit Trusts (Proprietary) Limited

Patient Samukelo Thuto (Chairman)
Mike Main
Maipelo Motshwane
Gaffar Hassam
Benjamin Tobedza
(resigned on the 7th of March 2014)

BIHL Audit and Risk Committee

Robert Dommisse (Chairman)
Chandra Chauhan
John Hinchliffe

BIHL Investment Committee

Andre Roux (Chairman)
Mahube Mpugwa

Human Resources Committee

Mpho Seboni (Chairman)
Robert Dommisse
Batsho Dambe–Groth
Heinie Werth

Nominations Committee

Batsho Dambe–Groth
Heinie Werth
Chandra Chauhan

MANAGEMENT TEAM

Gaffar Hassam (39)
CEO - BIHL Group

Gaffar Hassam was appointed as the Chief Executive Officer of BIHL and became a member of the BIHL Board on 01 December 2011. He joined the Group in 2003 as Botswana Life Insurance Limited Finance Manager and BIHL Company Secretary. Prior to his current appointment, 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. He was appointed Acting CEO of BIHL in April 2011.

Mr. Hassam, who is also a Director of Letshego Holdings Limited and Botho University, 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).

Andre Bester (42)
CFO - BIHL Group

Andre Bester was appointed as the Chief Financial Officer of BIHL on 1 September 2013. Andre began his career in 1995 with BDO Spencer Steward in Namibia where he completed his articles in 1997, there after 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 for two years. Andre joined Old Mutual Namibia as Enterprise Risk Manager in 2003 until 2005 when he became involved in the setup of Bank Gaborone, initially as project manager of the green fields operations and in 2006 as Chief Financial Officer when the business became operational.

He has Honours degrees in Management Accounting (University of Stellenbosch) and Acounting (UNISA) and is a member of the South African Institute of Chartered Accountants (SAICA) and associate memberships of the Chartered Institute of Management Accountants (CIMA) and the Botswana Institute of Chartered Accountants (BICA).

Onthusitse Max Mosiakgabo (40)
Head of Human Resources - BIHL Group

Onthusitse Max Mosiakgabo was appointed as the Head of Human Resources of BIHL in 01 June 2013. He joined the Group in 2010 as Botswana Life Insurance Limited Learning and Development Specialist. Prior to his current appointment, Max held the positions of Learning and Development Officer and Manager (Organisation Development) with First National Bank of Botswana, Organisation Effectiveness & Talent Advisor at Debswana Mining Company and Learning and Organisations Development Specialist in BIHL. He was appointed to Acting Head of Human Resources in March 2013.

Mr. Mosiakgabo began his career with First National Bank of Botswana through the Executive Trainee programme, where he later took over the role of Training and Development Officer and later became the Manager Organisation Development.

He has a BA degree (University of Botswana); is a member of the Society for Human Resources Management (SHRM).

Catherine Lesetedi - Letegele (47)
CEO - BLIL

Catherine Lesetedi-Letegele is CEO of Botswana Life Insurance Limited (BLIL), appointed in July 2010.

Ms. Lesetedi-Letegele 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 High Value Corporate Business until March 2010 when she was appointed Acting CEO of the company and then CEO in July.

Ms. Lesetedi-Letegele currently serves on the Boards of Funeral Services Group Limited, a Botswana Stock Exchange-listed entity, and FMRE, a re-insurance company. She is also the President of the Insurance Council of Botswana.

Ms. Lesetedi-Letegele holds a 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 qualification in Advanced Insurance Practice (UNISA). She has undertaken the Sanlam Executive Leadership Programme, Gordon Institute of Business Science, (July 2014). She is also an Associate of the Insurance Institute of South Africa (AIISA).

Neo Lele Bogatsu (41)
Acting CEO - Bifm

Neo is an Executive MBA graduate of the University of Chicago Booth School of Business and holds a Bachelor of Commerce (Accounting) from the University of Botswana where she graduated in 1996.

Neo spent 4 years at Ernst and Young as an Audit Supervisor and was responsible for a team of trainee accountants. She then joined Barclays Bank of Botswana 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.

She is a Finance professional with in-depth experience in Strategic Planning, Project Management, Budgeting and Forecasting. Years of experience in Banking and financial institutions operations has 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 Accountants and Botswana Institute of Bankers. Neo joined Bifm in the role of Chief Financial Officer in June 2011. In January 2013, Neo was appointed to the role of Chief Financial & Operations Officer. Neo was appointed Acting Chief Executive Officer in March 2015.

Mike Dube (49)
GM - Legal Guard

Mr Mike Dube joined BIHL in July 2013 as Chief Financial Officer from CEDA where held the same position. Before that Mr. Dube held the position of Deputy Chief Executive Officer at CEDA from 2007 until he joined BIHLIC. Mr. Dube was assigned to Legal Guard in June 2014 to spearhead the restructuring of this business which had been experiencing challenges. Mike Dube was confirmed as the General Manager of Legal Guard in October 2014.

Mr. Dube is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Bachelor of Commerce (Accounting & Management) from the University of Botswana.

Mr. Dube has extensive experience in finance and accounting having worked in several large private parastatal corporations in Botswana as well as serving in a number of Boards.

SUSTAINABILITY REPORT 2014

Long before "sustainability" became a corporate imperative, it was a cornerstone of the BIHL Group ethos.

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. 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 that we are responsible for 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. 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. It 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.

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.

Sustainability as a key driver of innovation

One would be hard pressed to find an alternative to sustainable development or to provide any real argument that sustainability ought to be divorced from business objectives. Our quest for sustainability across the Group is what we believe forces us to change the very way that we think or approach any business decision, product, technology, process and even strategy. We value sustainability as an integral part of development, and for this reason, constantly review and reassess all of our operational models and efficiencies with a view to enhancing them as much as s possible? How can we better ourselves? How can we ensure we create real impact, and real long-term stability for our investors? How can we add more value in a real, sustainable manner? These are the questions that we ask ourselves on a daily business, premised on the understanding that sustainability is the true driver of innovation, and without remaining relevant and innovative, we would not be able to achieve all that we have and all that we will.

CORPORATE SOCIAL INVESTMENT (CSI)

The BIHL Trust has done exceptional work in making a difference to individuals and communities across Botswana. Though our CSI initiatives and the BIHL Trust, the Group has spent well over P10 million over the last 8 years supporting worthy causes across the country, with the focus mainly, but not exclusively, on education and upliftment. Details of the BIHL Trust and its activities can be found on page 114 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 ground-breaking developments in the country that have impacted positively on the Botswana way of life. For example, it was BIHL that first introduced the concept of modern mall shopping to the country. We started with Game City in Gaborone and our most recent Mall development, Airport Junction, which opened in 2012, is the currently largest shopping mall in the country.

We have also been responsible for several other pioneering developments. These have included Plot 21, the first major Public Private Partnership development project 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.

BIHL is in the initial stages of developing a comprehensive environmental policy for the Group. This policy is expected to be unveiled within the next 12 months. It will focus on what's known as the "big five" environmental concerns: energy, water, emissions, waste and biodiversity.

In addition, BIHL will develop an implementation blueprint for the rollout of environmental policy.

CORPORATE SOCIAL INVESTMENT

A focus on sustainability, corporate governance, and transparency is what has successfully delivered us into 4 decades of successful business. It is an inherent belief in the importance of these that will usher us into the next 40 years of further uplifting communities.

01. ZIMBOTS GOLF CHALLENGE

Botswana Life sponsored the 2014 edition of the ZimBots Golf Challenge on Friday 7th February 2014. The golf event is a fundraising activity by the ZimBots Society with all proceeds going to the Sponsor-A-Child Trust Fund.

The ZimBots Golf Society is a Botswana registered association of golfers of different nationalities residing in Botswana. The objective of the Society is to promote the game of golf for social recreation and to give back to the less fortunate.

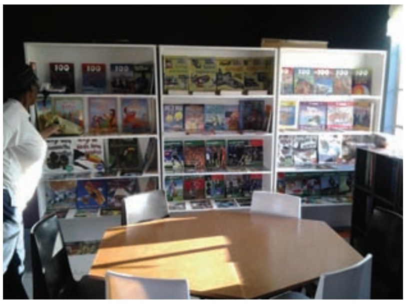
BLIL partnered with ZimBots to ensure that they held a successful golf day which in turn would see an increase in donations from the participants. In 2013, the golf day managed to raise P270,581.00. This number was surpassed in 2014 by P29,654.00, bringing the total donation to an amazing P300,235.00. The cheque was handed over to His Excellency Lt. Gen. Seretse Khama Ian Khama as the Trustee of the Sponsor-A-Child Trust Fund at the golf day.

03.
BIHL TRUST EMPOWERS WOMEN IN NEW XADE

In 2014 BIHL Trust increased its support for the women of New Xade through provision of sewing equipment To promote entrepreneurship in that community. The initiative began in 2012 when BIHL Trust identified and donated sewing equipment to the value of P386, 000 to a group of women through the Ghanzi Council.

Sharing the same complex as the sewing group is a bakery project, towards which BIHL Trust donated bakery equipment and facilitated a training course on operating equipment and bread making. The Trust has shown further support for the bakery project which currently supplies New Xade Primary School with bread once a week. The Bakers hope that with the expansion of their skill base they will be able to cater for weddings, funerals, conferences and other occasions.

02.
BIHL TRUST HANDS OVER LIBRARY IN KUKE



BIHL Group through the BIHL Trust officially handed over a library at Kuke Primary School situated 110km's north of Ghanzi. The 6th school to be adopted by the BIHL Trust, it was officially handed over in the presence of Honourable Minister Johnny Swartz.

BIHL Trust's dedication towards Adopt-A-School continues to grow year on year, and is more than simply a CSI gesture, but projects the BIHL Trust is incredibly passionate about. The new library was intended to be a haven and a paradise for the children of Kuke. The Group strives to drive stronger literacy, passion for education, and indeed improved academic performance as has been evident in previous schools engaged.

04.
BIHL TRUST HANDS OVER LIBRARY, KITCHEN AND DINING HALL

In 2014 BIHL Trust continued its support for Bana ba Metsi School, building upon the foundation of work begun during the year 2010. The Trust officially handed over the completed construction of the library, kitchen and dining hall to the Head of the School, Mr. Sono, and members of the community. The visit gave BIHL Trust representatives including Dr. N.H Fidzani, Chairperson of the BIHL Trust, an opportunity to reaffirm support towards the school and assess the progress and developments made since 2010. BIHL Trust donated P250, 000 towards the construction of a computer laboratory and a new kitchen and dining hall built by the Bana ba Metsi students and staff. The students were hands on in the project as they assisted in the building of the structures while BIHL Trust provided the funds for all the materials needed. The school was also connected to the national electricity grid at a cost of P70,000 making the school able to power various other functions besides the computer studies room and new kitchen alone.

CORPORATE SOCIAL INVESTMENT
(CONTINUED)

05.
BIHL SPONSORS SPORTING EXCELLENCE AT 2014 AFRICAN YOUTH GAMES

BIHL Group CEO, Mr. Gaffar Hassam presented the Acting Minister of Youth, Sports and Culture, Honourable Vincent Seretse, a sponsorship worth P500, 000 for the 2014 African Youth Games. The Group and its three subsidiaries each contributed a combination of cash and in kind sponsorship to the biggest youth sporting event in the country.

With the sponsorship of the 2014 African Youth Games, BIHL Group continues to dedicate itself to philanthropic initiatives and celebrates both an incredible collaboration as well as yet another way to play a more hands on role in the community. The Group's African Youth Games sponsorship included:

- Group personal accident for 2,000 volunteers, 1,500 managers/coaches, as well as medical expenses
- Public Liability cover
- Business all risks cover based on the theft of equipment
- Accidental death cover for the participants of All Africa Youth Games during the period of the competition
- A P110,000 cash amount to be directed by the organisers of the Africa Youth Games as required

The 2nd African Youth Games, dubbed 'Gaborone 2014,' took place from the 22nd to the 31st of May 2014. Up to 2,500 youths aged between 14 and 18 from 54 African countries competed in 21 sporting codes during the Games across 16 venues.

06.
BIHL TRUST REAFFIRMS DEDICATION TOWARDS ORPHANS AND VULNERABLE CHILDREN

BIHL Trust Chairman, Major General Bakwena Oitsile and BIHL Group CEO, Mr. Gaffar Hassam, visited Maru-a-Pula (MaP) Secondary School to hand over a cheque to further support the Orphan and Vulnerable Children's (OVC) Programme at the school. Through the donation BIHL Trust once again reaffirmed their resolute dedication towards empowering young Batswana through education. In keeping with the level of importance that the BIHL Trust places in education, a decision was made in 2009 to contribute P200, 000.00 annually to the OVC Fund. The 2014 handover, the fifth of its kind since 2010, sees a total investment of P1 million towards the Programme. The incredible significance of the Programme ensured that deserving students are given an opportunity for academic, physical and emotional enrichment and an excellent education regardless of economic status. This is the crucial role individuals and institutions play in uplifting Botswana towards being an educated and informed as well as a compassionate, just and caring nation in line with the Vision 2016 Pillars.

The OVC Programme, launched in 2005, awards scholarships to orphaned children to enable them to attend the renowned private school. The programme ensures that lack of access to quality education does not further disadvantage orphaned children. The scholarship covers tuition, boarding, all meals, clothing, medical expenses, stationery and other living expenses. In addition each student is assigned to a mentor who offers the support akin to that of a parent.

07.

BIHL ADOPTS MOPIPI PRIMARY AS 8TH SCHOOL IN ADOPT-A-SCHOOL INITIATIVE

Mopipi Primary School, in the heart of Mopipi Village, received a refurbished and resourced library courtesy of BIHL Trust on behalf of the subsidiaries. This marks the 8th local primary school to benefit from BIHL Group and the BIHL Trust's involvement in the Adopt-A-School initiative.

The handover was made at the school by Major General Bakwena Oistile, Chairman of the BIHL Trust, and received by the Member of Parliament for Boteti, Honourable Slumber Tsogwane. Also present were Kgosi Patelelo, members of the Ministry of Education & Skills Development and representatives of Education Hub. Representatives from the Trust's partner in the project, Sebilo Books, and members of Mopipi Primary School and the local community were also in attendance.

In total BIHL Trust developed libraries for Mopipi Primary along with the other 7 schools to the value of over P600,000. The support is a small, though not insignificant price to pay for something much more valuable: an investment into the opportunity for knowledge, greatness and empowerment amongst the young minds of Botswana.

The refurbished library saw existing facilities remodelled, repainted, and equipped with shelves, books, furniture, and bean-bags. This was in an effort to make the place a comfortable reading experience for all pupils and a haven for those who had a thirst for learning and knowledge. Another motivation for BIHL Trust's involvement in the Adopt-A-School initiative was the desire to create a passion and a love for reading, to create a culture of literacy amongst school children to further empower them wherever life may take them.

BIHL Trust's support of the Adopt-A-School initiative has benefitted 7 other schools in recent years. These include Kuke Primary School (Ghanzi), Mogobane Primary School (Otse), Cwaanyaneng Primary School (Borolong), Tshwaragano Primary School (Old Naledi, Gaborone), Chakaloba Primary School (Topisi), Mafetsakgang Primary School (Bobonong), and Serinane Primary School (Letlhakeng).

08.

BOTSWANA LIFE DONATES P50 000.00 TO THE LADY KHAMA CHARITABLE TRUST GHANZI HORSE ENDURANCE RELAY

Botswana Life donated P50,000 towards the Lady Khama Charitable Trust Ghanzi Horse Endurance Relay at their annual family fun day on Sunday 3rd August 2014 in support of disadvantaged communities.

On hand to give away the cheque was Botswana Life CEO, Catherine Lesetedi-Letegele accompanied by members of the Gaborone North Sales Team.

The Lady Khama Charitable Trust provides needed assistance to charitable organisations including SOS Village, Botswana Red Cross Society, Bana ba Metsi and ChildLine Botswana. The Trust is a fitting beneficiary of Botswana Life's Corporate Social Responsibility program as it displays a solid record of aiding organisations that uplift women and children.

Through this donation, Botswana Life is able to support a wide range of charities and make a difference in the lives of those less privileged. Botswana Life aims to provide needed assistance to the disadvantaged and support organisations that play a vital role in enriching the lives of Batswana.

CORPORATE SOCIAL INVESTMENT
(CONTINUED)

10.
BIHL TRUST THOMAS TLOU SCHOLARSHIP 2014 RECIPIENTS NAMED

The BIHL Trust Thomas Tlou Scholarship programme selected Ms. Liah Machara and Mr. Obakeng Kheru as beneficiaries in 2014. A nationwide call by the BIHL Trust yielded a record 150 applications. A stringent selection committee selected the eventual recipients after rigorous assessment. Amongst some of the key qualities to be found in the selected include exhibiting and living true to such values as leadership, proven community work involvement, entrepreneurship and a belief in the inherent power of education.

Liah will begin studying for a Masters in Archives and Record Management General at the University of Botswana, whilst the BIHL Trust will take over the financing of Obakeng's Masters in Adult Education, which is at dissertation stage. BIHL Trust has every confidence the recipients will embrace the opportunity to empower themselves through further studies, and work towards a sustainable contribution to the socio-economic good of the nation in the long term. The BIHL Trust Thomas Tlou Scholarship programme was introduced by BIHL Group and the BIHL Trust, together with Professor Sheila Tlou and the Tlou family, in 2012. The programme serves as a means towards empowering talented young Batswana with the ability to pursue postgraduate studies. The programme has, since its inception, welcomed all citizens of Botswana who wish to pursue a Master's programme in any discipline at Universities in Botswana to apply for the scholarship. To date, a total of 6 students have benefited from the programme, studying their Master's through the BIHL Trust Thomas Tlou Scholarship programme.

11.
BIFM LENDS A HAND AT PABALELONG HOSPICE IN METSIMOTLHABE

Botswana Insurance Fund Management Limited (Bifm) CEO, Tiny Kgatlwane, led members of Bifm to Metsimotlhabe to lend a hand to Pabalelong Hospice. The effort comes as part of a tradition at Bifm to assist in local communities through sustainable and hands-on charitable work.

Bifm also made a handover of cleaning chemicals and consumables anticipated to last the Hospice well into the next year. In addition, a TV for one of the in-patient rooms was donated by staff, ensuring that every inpatient room is now equipped with a TV set. Bifm was supporting Pabalelong Hospice in line with their policy of not having standard charges for their services. Rather, the Hospice request that families of the patients assist the Hospice's needs by way of basic supplies such as toiletries, cleaning and so on.

Through support from individuals and organisations alike, Pabalelong Hospice is able to continue its work of palliative care, love and support to people who are terminally ill. The Hospice also offers support for the patients' families, with a firm dedication towards welcoming all irrespective of their particular faith or religion. The Hospice, part of the wider network of Hospices in the region, works closely with Princess Marina Hospital for most effective care.

Bifm has a culture for CSI and community engagement across Botswana. This comes against a background of the wider dedication of the BIHL Group towards charitable initiatives. 1% of all profits across the BIHL Group are channelled towards CSI work. Through the BIHL Trust, sustainable philanthropic work has been done in such areas as education, health, sport, youth development, and environmental protection.

12.
TEACHERS TRAINED IN STEPPING STONES INTERNATIONAL, BIHL AND MOESD LITERACY PROJECT

The Literacy Training Project training initiative was the result of a Public-Private Partnership between the Ministry of Education and Skills Development (MoESD), BIHL Trust and Stepping Stones International. A total of 77 teachers were empowered and equipped with the skills and resources to foster greater English literacy levels amongst young students. The Project, which launched in August 2024, sought to improve English literacy rates in schools across Botswana.

In 2014 the Literacy Training project saw the completion of its pilot phase with tremendously pleasing outcomes to date. The schools in the project will be supported further through on going observation visits, feedback and coaching to the teachers to ensure the interventions and curriculum are implemented with fidelity. The training project is an example of BIHL Trust's continued pledge and unwavering support for platforms that empower young Batswana with access to knowledge; and the power to use that knowledge to contribute to our society.

The Project comes on the back of a total of 8 schools adopted by BIHL through the BIHL Trust and the Adopt-A-School initiative championed by the MoESD. Schools to benefit from the programme include: Chakaloba (Topisi), Mafetsakgang (Bobonong), Seinane (Kweneng), Bana ba Metsi (Shakawe), Kuke (Gantsi) and Mmathabakwe (Mopipi).

"The training project is an example of BIHL Trust's continued pledge and unwavering support for platforms that empower young Batswana with access to knowledge."

13.
BIHL BRAAI MASTER FEEDS 198 FROM ADOPT-A-PERSON

10 members of Botswana Insurance Holdings Limited (BIHL) Group staff took to the grills at the BIHL Braai Master cook off in Sebele. On Saturday 22nd November 2014, employees gathered for a team-building-exercise-come-CSI-activity with a twist. Before a panel of 3 judges, the group staged its very own reality-style cook-off to feed 198 children from the Adopt-A-Person (AAP) Orphanage Centre.

BIHL wanted to do something that would encourage a healthy dose of competition amongst the team and bring out their fun and creative side. At the same time, BIHL wanted to live true to the inherent philanthropic mandate within the business: to help others in a hands-on way.

With the support of such sponsors as Sefalana Holdings and Mini Mart & Deli, the BIHL Braai Master saw an array of ingredients provided to 3 teams within the staff complement. The teams battled it out across 3 stages: the breakfast, the braai and the potjie. Teams had to create a dish using ingredients provided and cooked on coals or an open flame within the space of an hour, for both the breakfast and braai stages. The judges included Chef Rico Carlinsky and Chef McJon Mosenene from Botswana Chefs Association, along with Mini Mart & Deli Managing Director, Yavor Sabev.

Following a morning of play with educational activities and outdoor games 198 children, present on the day through the Adopt-A-Person initiative, enjoyed a festive lunch against the background of the cooling rain. Additional food stuffs were also donated towards the organisation courtesy of BIHL Group. Support of youth and development initiatives forms a crucial focus area for the BIHL Trust, and this stems from the passionate, dedicated and giving hearts of the people within the BIHL family.

CORPORATE SOCIAL INVESTMENT

(CONTINUED)

14. BIHL TRUST CONTRIBUTES TO RHINO CONSERVATION AT KHAMA RHINO SANCTUARY

On the 4th of December 2014, BIHL Trust handed-over a donation of P100,000.00 to the Khama Rhino Sanctuary (KRS). Representing the Minister of Wildlife, Environment and Tourism Mr. Tshekedi Khama, Deputy Permanent Secretary Mr. Jimmy Opelo at the Ministry received the donation on behalf of KRS. A comprehensive presentation on ear notching and DNA Sampling of rhinos was conducted at the handover ceremony by KRS representatives.

BIHL Group was acknowledged as a corporate citizen who continues to lead the charge in supporting the work of such [non-profit] organisations as KRS. The P100,000 donation was made by the BIHL Trust, sourced from contributions made by the BIHL Group and its subsidiaries Botswana Life, Bifm and Legal Guard. The Group and its subsidiaries set aside 1% of their annual profits for making contributions to various causes and projects contributing to the sustainable improvement of the nation. The Khama Rhino Sanctuary Project was one of this year's selected projects. The donation will be used to fund future ear notching and DNA sampling of rhinos in the sanctuary in order to enhance KRS' rhino conservation efforts. By notching the ears of the rhinos as well as DNA sampling, KRS is enhancing the safety of the rhinos by making them easily identifiable to Sanctuary staff. This makes it easier for staff to protect the rhinos, should poachers come into the area.

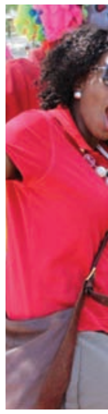
The Khama Rhino Sanctuary is situated just outside of Serowe and has been functioning as a wildlife conservation space since 1992. The Sanctuary spreads over 8585 hectares of Kalahari Sandveld and hosts 2 rhino species, over 30 other animal species and 230 species of birds. The Sanctuary makes itself available to the general public with offerings in the form of accommodation, game drives, camping facilities and educational programs. It is ideal for education getaways within the country as it has activities that are entertaining to both adults and children.

15. BIHL & LEGAL GUARD BOXES OF LOVE INITIATIVE

The month of December saw the BIHL Trust once again champion the Boxes of Love initiative. Staff of BIHL Group and Legal Guard banded together to bring smiles to the faces of children across Botswana.

Over 250 "Boxes of Love" were shared with 250 children at Childline Botswana and Botswana Association for Psychosocial Rehabilitation (BAPR) on 5th December 2014. The Boxes of Love campaign saw each staff member paired with a child from the various charitable organisations. Each business handpicked the children's organisation they wanted to work with, engaging these organisations to get a sense of the personalities and interests of the kids. Here after a customised "Box of Love" was then curated, including toys and trinkets deemed perfect for the particular child, both gender and age appropriate.

The Boxes of Love campaign was launched with BIHL Group staff in 2013, and it proved to be an immense success. A dedication towards initiatives for supporting and uplifting young children has always been an area of focus for BIHL Trust, and this year the effort was extended across the Group. The 69 members of staff across each of the businesses gifted 69 boxes, inclusive of gifts, of their own accord, with BIHL Trust sponsoring the remaining boxes and gifts. Staff from BIHL set aside time from regular working hours to spend time with the children and share the gifts as they spread a little more Christmas cheer, ending the festivities with celebratory lunches for all at each of the respective organisations.



16.
BIFM HOSTS HOLY CROSS HOSPICE KIDS AT LION PARK

Bifm staff, led by its CEO, treated 27 children cared for at the Holy Cross Hospice's Day Care Centre in Village to a day out at the Lion Park on Thursday 4th December 2014. The fun day out sought to bring smiles to the kids' face and get them into the Christmas spirit enjoyed by so many others. Bifm regularly makes an effort to play a role in helping to bring smiles to children who are less fortunate faces. The kids enjoyed an afternoon of fun in the pools and supervised enjoyment of the various rides at the Lion Park Resort, all while under the care of the Bifm staff who had volunteered to take care of them for the day.

Bifm's relationship with the Holy Cross Hospice continues to strengthen, with the most recent effort coming in the form of a donation of equipment at the Hospice's Newstands base.

17.
BOTSWANA LIFE OFFERS FREE INSURANCE COVER TO CHILDLINE EMPLOYEES

Botswana Life has gone into partnership with Childline, where the life insurance giant will provide free life cover and funeral cover to Childline staff and their dependents for the next three (3) years. The insurance cover came into effect on August 1, 2014 and was presented to the Childline Board representatives, Management and staff by the Chief Executive Officer of Botswana Life, Mrs Catherine Lesetedi-Letegele and the Head of High Value Corporate Business, Mr Joseph Kuaho. The products are Group Life Assurance (GLA) with a disability benefit, and a Group Funeral Scheme (GFS).

The total value of the cover is P 67,938 for the duration of the partnership.

The Group Life Assurance covers Childline employees for death and disability, where in the event of death of a member while under the employ of Childline, Botswana Life will pay his/her nominated beneficiaries through Childline, the employee's annual salary times two (2). The same lump sum payment applies in the event of a disability which results in the employee not being able to continue with gainful employment.

The Group Funeral Scheme will provide a cash sum towards funeral expenses for the employee and his/her nominated dependents. This product covers the Childline employee; his/her spouse, parents and parents-in-law, and up to six (6) children under the age of 21.

18.
BOTSWANA LIFE SUPPORTS DALE COLLET'S CHARITY RIDE TO CAPE TOWN

Botswana Life Insurance Limited (BLIL) partnered with Mr. Dale Collet in his Gaborone to Cape Town Charity Ride to raise funds for the Ray of Hope Foundation for terminally ill children.

BLIL was inspired by Mr. Dale Collett's courage and selflessness as he has been in a wheelchair for 38 years and still "drives forward with determination never relenting in his quest to make yet another dream come true." The Ray of Hope Foundation aims to make dreams come true for children facing life-threatening illnesses in Botswana.

This initiative was another CSR project which BLIL supported in order to give back to those less fortunate. The Company donated P25, 000 towards the ride, and facilitated a hand-over ceremony of the funds to Ray of Hope Foundation.

BLIL was among a few corporate entities that heeded Mr. Collet's plea. He thanked Botswana Life for their generous donation, which far exceeded his expectations.

19.
BLIL EMPLOYEES SHOW COMPASSION TO THEIR FELLOW CITIZENS

The BLIL Employee Involvement Programme known as Lesedi urges staff to give back to the community in their personal and work related interactions. The programme executed two (2) highly successful initiatives. The staff raised P183,751.55 for the Help Abbie Fund Raising Initiative through donation of leave days and selling of baked good and cool drinks.

The second initiative was a food drive at all BLIL branches where staff donated food items for charity. The collected food was donated to community based organisations around the country where BLIL operates.

The Gaborone branch saw it fit to donate to the Gamodubu Child Care Trust. Ms Shirley Madikwe, the Coordinator of the Centre, the chief of Gamodubu, Kgosi Leboko Keletso and a handful of volunteers at the Centre, received the donations. Their gratitude to the employees of Botswana Life was heartfelt. Ms. Madikwe stated that the amount of food we donated was enough to last the Centre up to two (2) months.

BLIL supports the Lesedi programme by granting all those who have volunteered 2 days paid time off biannual for them to be able to execute any of the agreed activities. This is a strong indicator of an employer that is committed to encouraging employees to participate in the volunteer programme.

5

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND A STRONG FOCUS ON STRONG GOVERNANCE PRACTICES LIES AT THE VERY HEART OF HOW WE DO BUSINESS.

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COMMITTED TO BEST PRACTICES

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.

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OUR APPROACH

Over the years the BIHL Group has prided itself as a trailblazer is 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.

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OUR PROMISE

Risk management lies at the heart of the BIHL Group. We provide our clients with the comfort and assistance they require in order to manage their risk, in the form of the insurance products we offer.

CORPORATE GOVERNANCE STATEMENT

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.

CORPORATE GOVERNANCE REPORT

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 resources, 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 that, in terms of BIHL's constitution, must comprise of at least three and not more than eleven 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 Ms. 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 that 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

Messrs Gerrit Van Heerde and Tertius Stears were appointed as alternate Directors on the BIHL Board and subcommittees.

Mr. Gerrit Van Heerde was appointed on September 3, 2014; and

Mr. Tertius Stears was appointed on August 11, 2014.

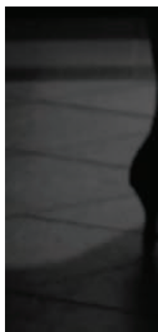
RESIGNATIONS

Mr. Uttum Corea resigned as an Independent Non-Executive Director on February 12, 2014.

Mr. Themba Gamedze resigned as a Non-Executive Director on July 01, 2014.

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).

	BIHL Board meeting	Audit and Risk Committee	Human Resources Committee
B Dambe-Groth	4/4	-	4/4
C Chauhan	4/4	4/4	-
J Hinchliffe	4/4	4/4	-
M Mpugwa	4/4	-	-
M Seboni	2/4	-	2/4
H Werth	3/4	-	3/4
R Dommisse	4/4	4/4	4/4
A Roux	3/4	-	-



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.

AUDIT AND RISK COMMITTEE

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

- Committee charter ✓
- All meetings held ✓
- Attendance record 100%

Mr. Robert Dommisse

Members:
Mr. Robert Dommisse (Chairman);
Mr. John Hinchliffe;
Mr. Chandra Chauhan.

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

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

Managing the credit risk inherent in the investment portfolios on an on-going basis.

- Committee charter ✓

Mr. Andre Roux

Members:
Mr. Andre Roux (Chairman);
Mr. Mahube Mpugwa;

Composition:
One Independent Non-Executive Director and one Non-Executive Director.

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.

HUMAN RESOURCES COMMITTEE

Takes cognisance of local and international industry benchmarks

- Committee charter ✓
- All meetings held ✓
- Attendance record 90%

Members:
Mr. Mpho Seboni (Chairman);
Ms. Batsho Dambe-Groth;
Mr. Robert Dommisse;
Mr. Heinie Werth.

Composition:
Two Independent Non-Executive Directors and two Non-Executive Directors

Mr. Mpho Seboni

The 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 Executive Committee. 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.

INDEPENDENT REVIEW COMMITTEE

Reviewing all related party transactions.

- Committee charter ✓

Members:
Mr. John Hinchliffe (Chairman);
Mr. Chandra Chauhan;
Mr. Mpho Seboni.

Composition:
Three Independent Non-Executive Directors

Mr. John Hinchliffe

In order to enhance the governance structures within BIHL, the Board constituted an Independent Review Committee. The Committee is responsible for reviewing all related party transactions.

The Committee meets as and when appropriate.

SPECIAL BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

(CONTINUED)

REMUNERATION PHILOSOPHY

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

EMPLOYEE REMUNERATION

The following principles are used to determine appropriate remuneration levels:

- All remuneration principles are structured to provide clear differentiation between individuals 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 by individuals and teams.
- 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

Following the resignation of Mr. Uttum Corea from the BIHL Board, Mr. Chandra Chauhan was nominated and elected as the BIHL Board's Lead Independent Director.

The Lead Independent Director presides in meetings where the Chair 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:

	Annual retainer	Board meeting	Audit and Risk Committee	Human Resources Committee	Total
B Dambe Groth	85,000	90,000	-	54,000	229,000
C Chauhan	65,000	70,000	66,000	-	201,000
J Hinchliffe	65,000	70,000	66,000	-	201,000
M Mpugwa	65,000	70,000	-	-	135,000
M Seboni	65,000	35,000	-	33,000	98,000
**A Roux	65,000	52,500	-	-	117,500
**H Werth	65,000	52,500	-	40,500	158,000
**R Dommisse	65,000	70,000	76,000	54,000	265,000

** 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.

EVALUATION OF PERFORMANCE

The Directors complete Board self-assessment questionnaires on an annual basis to evaluate the effectiveness of the Board and its members. This mechanism is used to ensure that the responsibilities of the Board and of individual Directors in terms of the Board Charter, the constitution and significant governance principles of King III (Botswana Code) are complied with, and that adequate attention is paid to matters of both performance and conformance. The results of the self-assessments are collated by the Company Secretary, considered by the Chairman and discussed with the Board for purposes of performance improvement. The performance of the individual Directors is also reviewed during individual discussions between each Director and the Chairman. The Chairman's performance is in turn reviewed by the other Directors. The recent evaluations indicate that generally the Directors are satisfied with the effectiveness of the Board's performance and that of its individual members. The self-assessments are extended to the subsidiary Boards and sub committees.

CONFLICT OF INTEREST

Directors are required to inform the Board timeously of conflicts of interest or potential conflicts of interest that may exist in relation to particular aspects of BIHL business. Directors are obliged to recuse themselves from discussions of matters in which they may have a conflicting interest, unless resolved otherwise by the remaining members of the Board. Directors are required to disclose their shareholding in BIHL, their other directorships and their interests in contracts that BIHL may conclude, at least annually and as and when changes occur. The members of the Board have declared their interests and are free from any business or other relationship 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, Ms. 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 BIHL. He is also responsible for all regulatory reporting to the Registrar of Insurance and for safeguarding the interests of policyholders. 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 64.

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 05 March 2014 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.

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

CORPORATE GOVERNANCE REPORT

(CONTINUED)

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 Chairperson 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

"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."

business. BIHL's compliance function facilitates the management of compliance through analysing 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 the 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 report is included on page 142 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.

Resebetse in a nutshell

In BIHL Group's effort to observe international standards of governance and transparency we launched Resebetse, an anonymous tip-off service. Resebetse uses a range of communication platforms to fulfil the service including cellphone, landline and e-mail. The service always receives any messages sent in a number of languages including English and Setswana.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

The Company Secretary is Ms. 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. The Group Company Secretary attends all Board and Committee meetings.

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's 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 2015 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 the BIHL Group has prided itself as a trailblazer is 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 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 discloser.

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.

> "Improving corporate governance and creating value"

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 (pg 135-141). 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 the 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 simply what we are required to do.

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	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.			Currently there is an ongoing review of how to address King III gaps identified.	
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 only non-executive Directors, 2 of which are independent.			Once a suitable candidate has been identified, an independent chairman will be appointed.	2015
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 Board approved the IT Governance Charter at its May sitting.				
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 is currently developing/finalising a compliance framework through which it will be able to monitor compliance.				

KING III REPORT CHECKLIST

(CONTINUED)

Current level of compliance: Full Partial None

Summary of King III principles	Status	2013	2014	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. Additionally a senior internal auditor has been resourced within the Group to further improve on the ground efficiencies.				
2.11. The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	The Board manages market and stakeholder perceptions in accordance with a broad based Group wide communications and Public Relations strategy.			.	
2.12. The Board should ensure the integrity of the company's Integrated Report.	The Board reports annually on the performance of the company issues of corporate governance and annual financial statements in the Annual Report. Additionally preparation of this Annual Report is in compliance with the principles of good corporate governance.				
2.13. The Board should report on the effectiveness of the company's system of internal controls.	The Board, through the Audit and Risk Committee ensures that the internal controls and risk management practices are aimed at safeguarding its assets and resources. These internal controls are reviewed at least once a quarter.				
2.14. The Board and its Directors should act in the best interests of the company.	Every director upon appointment is given an information pack comprising duties of a director in terms of the Companies Act, the Company's constitution, and the latest available annual report. In addition the directors fill in declarations of interest register once a year.				
2.15. The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Assessments (going concern review) are done once a year as to whether the Group and each significant subsidiary is a going concern.				
2.16. The Board should elect a Chairman of the Board who is an independent Non-Executive Director. The CEO of the company should not also fulfil the role of Chairman of the Board.	The Chairman of the Group and the Chairman of each significant subsidiary are independent non-executive directors. The CEO of the Group is also not the Chairman of the Board. The same applies at each significant subsidiary.				

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	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.	Full	Full		
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.	Full	Full		
2.19. Directors should be appointed through a formal process.	Directors are appointed through a formal process.	Full	Full		
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	Full	Full		
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.	Full	Full		
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.	Full	Full		
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.	Full	Full		
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	Partial	Full	A suitable compliance statement was approved by the Board In 2014	
2.25. Companies should remunerate directors and executives fairly and responsibly.	The Group completed a remuneration review, which was approved at the company's annual general meeting in June 2012. Remuneration is reviewed regularly to ensure that it is market related.	Full	Full		
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.	Full	Full		
2.27. Shareholders should approve the company's remuneration policy.	The Company's remuneration policy is approved by the Board	None	Partial	The remuneration policy is to be approved by the shareholders.	

KING III REPORT CHECKLIST

(CONTINUED)

Current level of compliance: Full ■ Partial ■ None ■

Summary of King III principles	Status	2013	2014	Action plans for remaining issues	Due dates
CHAPTER 3 - AUDIT COMMITTEES					
3.1. The Board should ensure that the company has an effective and independent Audit Committee.	The Board has an effective and independent Audit and Risk Committee in place.	Full	Full		
3.2. Audit Committee members should be suitably skilled and experienced independent Non-Executive Directors.	Both independent Non-Executive Directors that sit on the Committee are experts in their fields.	Full	Full		
3.3. The Audit Committee should be chaired by an Independent Non-Executive Director.	Currently the Committee is chaired by a Non-Executive Director.	Partial	Partial	The Board is reviewing the appointment of an Audit Committee Chairman who is an Independent Non-Executive Director.	2015
3.4. The Audit Committee should oversee integrated reporting.	The annual report is fully compliant with the key principles of integrated reporting.	Full	Full		
3.5. The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The BIHL CAM has been completed and is now in place.	Full	Full		
3.6. The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Suitably qualified individuals have been appointed to oversee all financial aspects of the Company.	Full	Full		
3.7. The Audit Committee should be responsible for overseeing of Internal Audit.	Internal Audit reports into the Audit and Risk Committee.	Full	Full		
3.8. The Audit Committee should be an integral component of the risk management process.	Currently the Committee establishes the extent to which management has established effective risk management in the Group by reviewing the risk policy and strategies for the Group.	Full	Full		
3.9. The Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Committee makes recommendations to the Board regarding the appointment of the External Auditors. The Committee also reviews the external audit plan to ensure that key significant areas are covered.	Full	Full		
3.10. The Audit and Risk Committee should report to the Board and shareholders on how it has discharged its duties.	The Chairperson of the Committee reports to each Board meeting and give feedback from the Committee's findings and recommended actions.	Full	Full		

Current level of compliance: Full   Partial   None

Summary of King III principles	Status	2013	2014	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 was approved at August Board sittings in 2012. Policy reviewed annually.				
4.2. The Board should determine the levels of risk tolerance.	Group risk appetites and thresholds are approved at August Board sittings.				
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	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 Board approved the BIHL IT Governance Charter in May meeting. 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 Exco's, Manco's.				
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 at August 2012 Board Meeting. 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	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 was appointed last year.	Full	Full		
7.2. Internal audit should follow a risk-based approach to its plan.	Internal audit follow a risk-based approach.	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		
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		
7.5. Internal Audit should be strategically positioned to achieve its objectives.	The Internal Audit is strategically positioned to achieve its objectives.	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		
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		
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		
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		
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		
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		
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		
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		
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		

RISK MANAGEMENT

OUR PROMISE
Our aim is to increase risk awareness among all our staff and establish a value-based risk culture at all corporate levels. We are committed to the highest standards of corporate governance.

Risk management lies at the heart of the BIHL Group. We provide our clients with the comfort and assistance they require in order to manage their risk, in the form of the insurance products we offer. Thanks to our robust balance sheet and sound financial strategy, our clients know that we will be able to deliver on the promises we make to them. We are therefore more aware than most of the need for sound risk management and we continually identify and analyse risks to our own business so that we can continue 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 are phasing into our operations.

The Group's risk policy guidelines set the framework for meeting the requirements of proper, consistent and forward-looking risk 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 risks and opportunities transparently and systematically incorporate them into our business decisions.

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

COMBINED ASSURANCE MODEL

Combined assurance allows visibility over what assurance is provided and by whom within the Group, and includes assessment regarding the adequacy of assurance. 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 two of our subsidiaries, Botswana Life and Bifm in 2012, in line with principle 3.5 of the King III Code of Corporate Governance, in order to provide a coordinated approach across all assurance activities. The CAM is a living document and will be continuously updated with regard to changes in strategy, processes, and structure to ensure that all risks are adequately managed and reported to the appropriate forums. In this regard, an annual gap analysis of the document is carried out.

We will next consider implementing the CAM approach at Legal Guard, when we consider the business size, maturity and timing to be appropriate.

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 themselves that significant risk areas have been identified and suitable controls are in place.

The Bifm CAM was further reviewed in 2014, taking into account the Board's recommendations. A review of the Botswana Life and creation of the Legal Guard CAM will be done in 2015 to ensure that all businesses are up to date and that the desired levels of assurance are put in place.

COMPLIANCE

Group Legal, Risk and Compliance have been focusing on embedding the Compliance Framework, tools, policies and procedures developed in line with the Compliance Policy Charter. This project entailed engaging with the relevant contact persons at the businesses in an effort to roll out the tools and specifically get endorsement for the Compliance Framework.

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

Group Compliance will going forward be working closely with the aforementioned offices to ensure implementation of the framework and to also specifically assist in the customisation and adoption of Group approved policies. This initiative has already commenced through engagement with the Bifm Risk and Compliance Office. This will be a gradual and systematic approach to avoid saturation of information.

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 obligations and requirements from the legislation. The following Acts have been gazetted which will have various levels of impact on the Group;

- Retirements Fund Bill (repealing the Pensions and Provident Funds Act)
- Electronic Communications and Transactions Bill
- Electronic Evidence Bill
- Financial Reporting Act (establishing the Botswana Accounting Oversight Authority for the regulation of financial reporting)
- Insurance Industry Bill (a re-enactment of the existing Insurance Industry Bill)

Group Legal, Risk and Compliance have also attended various regulatory forums at the instance of the businesses to ensure meaningful participation and contribution to the non-banking financial services industry. These forums included:

- Workshop by the Financial Intelligence Agency on money laundering and counter terrorist financing and the measures that industry players have to put in place for compliance
- Workshop by the Botswana Accountancy Oversight Authority for contributions to their financial reporting regulations that are being drafted.

In addition the department facilitated a workshop for the Group on the Tip-Offs Anonymous Service and further workshops for colleagues at Legal Guard on the following;

- Combating Financial Crimes Policy
- Whistleblowing Policy

The following policies were also developed and presented for Board approval as a means of entrenching the Group's commitment to a robust compliance environment;

- Independent Committee Charter (serving as a terms of reference for the scrutiny and review of transaction that may have an adverse effect on the Group i.e. conflicts of interests.)

RISK MANAGEMENT
(CONTINUED)

RISK

Types
The Group is exposed to the following main risks:

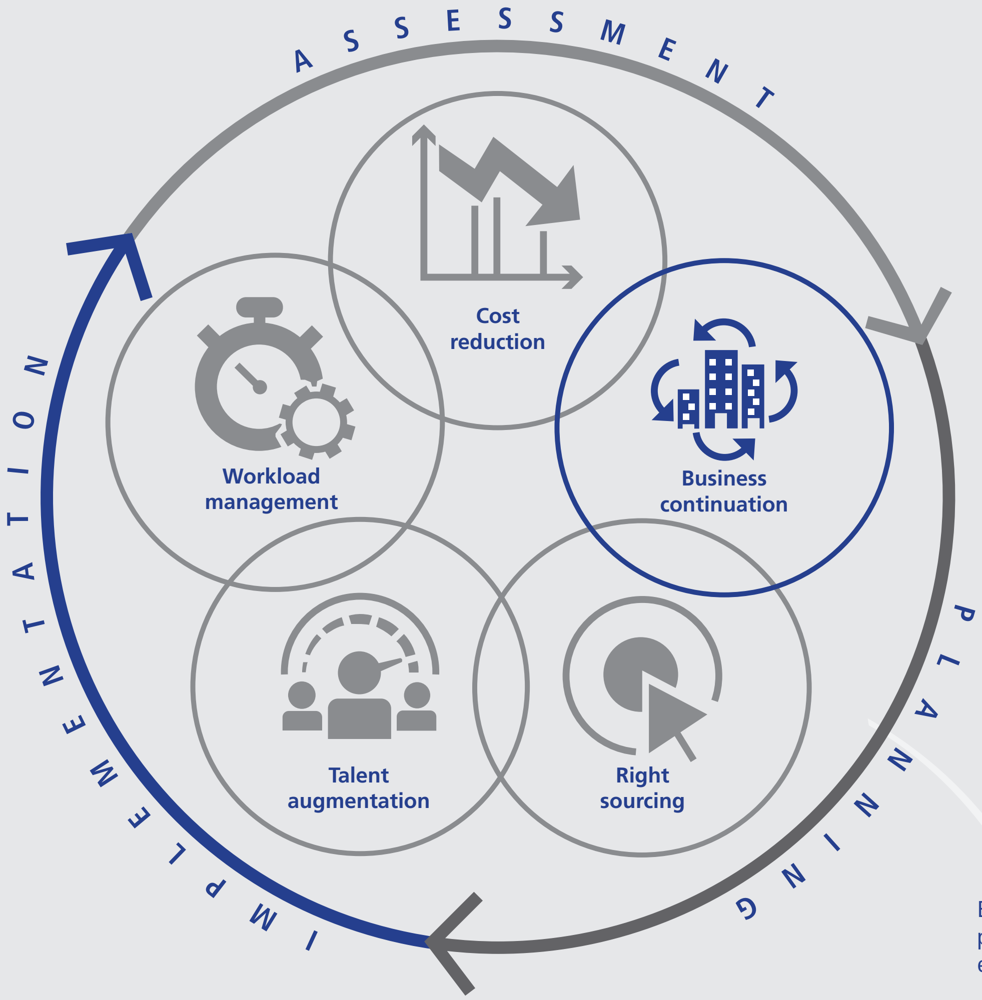
Risk categories (primary)	Risk types (secondary) and description
OPERATIONAL	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:
	Information and technology risk: the risk of obsolescence 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.

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 includes:
	Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.
	Downgrade or Migration risk: risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator today.
	Settlement risk: risk arising from the lag between the value and settlement dates of securities transactions.
	Reinsurance counterparty risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
	Credit spread risk*: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.

RISK MANAGEMENT
(CONTINUED)

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

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



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

BUSINESS CONTINUITY MANAGEMENT

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

BIHL is committed to the successful application of BCM to increase its resilience and ability to absorb, respond and recover from disruptions. Last year, we developed the BCM Framework and the Board approved the BIHL Group BCM Policy. This set the tone for the implementation of a BCM programme across the Group, including the training of Business Continuity champions and the development of business continuity plans for each subsidiary.

BUSINESS CONTINUITY PLANS

Business Continuity Plans were developed for all the Group businesses. We will be conducting annual business continuity tests with disaster simulations to ensure our plans remain effective and up to date and our site is fully functional. Efforts to build a culture of business continuity awareness 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.

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ANNUAL FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS OF BIHL GROUP ARE REVIEWED BY THE AUDIT AND RISK COMMITTEE AND APPROVED BY THE BOARD.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

NATURE OF BUSINESS

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

RESULTS FOR THE YEAR

The Group reported a net profit, after tax, for the year to 31 December 2014 of P506 million (31 December 2013: P495 million). Shareholders' equity at 31 December 2014 was P2.686 billion (31 December 2013: P2.405 billion). The results are fully explained in the financial statements.

STATED CAPITAL

The issued and fully paid share capital at 31 December 2014 and 2013 consists of 281,070,652 ordinary shares.

DIVIDENDS

A gross interim dividend of 42 thebe per share was declared during the year. The directors propose a final dividend of 45 thebe per share; making the total dividend for the year 87 thebe per share (31 December 2013: 50 thebe per share).

DIRECTORS' SHAREHOLDINGS

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company is 188,798 (31 December 2013: 141,837). Details of the holding of these shares are disclosed in note 19 to the financial statements.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Refer to Note 27 to the financial statements for the disclosures on events subsequent to the balance sheet date.

DIRECTORATE

B. Dambe-Groth	Chairman
C. Chauhan	
R. Dommisse	
J. Hinchliffe	
M. Mpugwa	
A. Roux	
M. Seboni	
H. Werth	
U. Corea	Resigned 12 February 2014
T. Gamedze	Resigned 01 July 2014
G. Hassam	Group Chief Executive Officer

COMPANY SECRETARY AND REGISTERED ADDRESS

R. Modikana
Block 5 Fairgrounds
Financial Centre,
Plot 50374
P. O. Box 336,
Gaborone

INDEPENDENT AUDITOR

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

FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors of the 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 Company maintains 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 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 30 April 2015 and were signed on their behalf by:

B Dambe-Groth
Chairman

G Hassam
Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014, 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 159 to 255.

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.

AUDITOR'S 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 2014, 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

20 May 2015

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

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		GROUP		COMPANY	
	Note	2014 P'000	2013 P'000	2014 P'000	2013 P'000
Assets					
Property and equipment	2	20,138	20,827	6,196	6,878
Intangible assets	3	122,410	150,898	5,130	4,929
Investment property	4.4	227,858	300,681	-	-
Investments in associates and joint ventures	4.5	1,647,451	1,439,221	-	-
Long-term reinsurance assets	8.6	3,728	6,124	-	-
Financial assets at fair value through profit or loss		11,973,412	11,293,287	-	-
Bonds (Government, public authority, listed and unlisted corporates)	4.1	5,427,365	4,956,571	-	-
Equity investments (Local and foreign)	4.2	6,013,539	5,711,195	-	-
Policy loans and other loan advances	4.3	421,517	482,259	-	-
Money market instruments	4.1	110,991	143,262	-	-
Interest in subsidiaries	4.5	-	-	259,564	320,996
Deferred tax asset	10	495	2,344	-	-
Insurance and other receivables	5.1	199,529	238,677	2,998	1,251
Reinsurance contracts receivable	5.3	-	5,985	-	-
Deferred insurance acquisition cost	5.2	-	2,051	-	-
Tax refund due		1,500	26,973	1,393	2,968
Related party balances	19	-	-	16,450	7,715
Cash,deposits and similar securities	23	658,468	580,674	23,258	5,902
Total assets		**14,854,989**	**14,067,742**	**314,989**	**350,639**
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	547,772	745,694	17,858	15,139
Retained earnings		2,007,474	1,528,886	139,339	18,382
Total equity attributable to equity holders of parent		2,686,067	2,405,401	288,018	164,342
Non- controlling interests	9	18,569	34,912	-	-
Total equity		2,704,636	2,440,313	288,018	164,342
Liabilities					
Policyholder liabilities under:	8	11,641,698	11,123,239	-	-
Insurance contracts		7,354,668	6,809,709	-	-
Investment contracts		4,287,030	4,313,530	-	-
Deferred tax liability	10	33,209	23,790	-	-
Insurance and other payables	11	450,056	451,978	25,983	25,717
Short term insurance contract liabilities	11.1	6,983	22,740	-	-
Deferred reinsurance acquisltion revenue	11.5	-	1,419	-	-
Tax payable		18,403	1,222	-	-
Related party balances	19	4	3,041	988	160,580
Total equity and liabilities		**14,854,989**	**14,067,742**	**314,989**	**350,639**

GROUP CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	GROUP 2014 P'000	GROUP 2013 P'000 Restated	COMPANY 2014 P'000	COMPANY 2013 P'000
Continuing operations					
Revenue					
Net insurance premium income	12	**1,986,683**	**1,878,026**	**-**	**-**
Gross insurance premium income		2,009,002	1,884,065	-	-
Insurance premium ceded to reinsurers		(22,319)	(6,039)	-	-
Other investment income		**906,593**	**3,036,022**	**424,672**	**98,565**
Fee revenue		110,915	98,039	-	-
Investment income	13	972,569	594,856	424,672	98,565
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	(161,013)	2,343,127	-	-
Total income		**2,893,276**	**4,914,048**	424,672	**98,565**
Net insurance and investment contract benefits and claims		**(1,944,801)**	**(3,995,068)**	**-**	**-**
Gross insurance benefits and claims	14	(1,202,382)	(1,058,207)	-	-
Reinsurance claims	14	9,988	3,680	-	-
Change in liabilities under investment contracts	8.6	(205,052)	(1,719,987)	-	-
Change in policyholder liabilities under insurance contracts	8.7	(544,959)	(1,217,637)	-	-
Change in contract liabilities ceded to reinsurers	8.7	(2,396)	(2,917)	-	-
Expenses		**(575,135)**	**(524,857)**	(86,576)	**(50,101)**
Sales remuneration		(258,899)	(244,410)	-	-
Administration expenses	15	(316,236)	(280,447)	(86,576)	(50,101)
Profit before share of profit of associates and joint venture		**373,340**	**394,123**	**338,096**	**48,464**
Share of profit of associates and joint venture	4.5	253,618	189,202	-	-
Profit before tax from continuing operations		626,958	**583,325**	**338,096**	**48,464**
Income tax expense	16	(107,495)	(84,621)	(16,946)	(6,683)
Profit for the year from continuing operations		**519,463**	**498,704**	**321,150**	**41,781**
Discontinued operations					
Loss after tax for the year from discontinued operations	4.7	(14,750)	(3,931)	-	-
Profit on sale of short-term insurance business	4.7	932	-	-	-
Loss for the year from discontinued operations		**(13,818)**	**(3,931)**	**-**	**-**
Profit for the year		**505,645**	**494,773**	**321,150**	**41,781**
Profit attrIbutable to:					
- Equity holders of the parent from continuing operations		513,355	496,431	321,150	41,781
- Equity holders of the parent from discontinued operations		(13,818)	(3,931)	-	-
- Non-controlling interests from continuing operations		6,108	2,273	-	-
		505,645	494,773	321,150	41,781
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
- basic	17	183	183		
- diluted	17	181	181		
Earnings per share (thebe) for continuing operations					
- Basic		188	184		
- Diluted		186	183		

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	GROUP 2014 P'000	GROUP 2013 P'000 Restated	COMPANY 2014 P'000	COMPANY 2013 P'000
Profit for the year		505,645	494,773	321,150	41,781
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		(3,195)	21,944	-	-
Total comprehensive income for the year		**502,450**	**516,717**	**321,150**	**41,781**
Total comprehensive income attributable to:					
- Equity holders of the parent		510,160	518,375	321,150	41,781
- Equity holders of the parent from discontinuing operations		(13,818)	(3,931)	-	-
- Non-controlling interests		6,108	2,273	-	-
		502,450	516,717	321,150	41,781

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

Equity attributable to equity holders of the parent

	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000
GROUP			
Balance at 1 January 2013	130,821	(88,311)	76,800
Total comprehensive income	-	-	-
Profit for the year	-	-	-
Foreign currency translation	-	-	-
Share based payment expense	-	-	6,248
Other movements in statutory reserves and treasury shares reserves	-	-	-
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-
Cost of treasury shares (acquired)/disposed	-	1,324	-
Dividends paid	-	-	-
Share Trust vested treasury shares	-	9,946	-
Loss of control of subsidiary	-	-	-
Balance at 31 December 2013	**130,821**	**(77,041)**	**83,048**
Total comprehensive income	-	-	-
Profit for the year	-	-	-
Foreign currency translation	-	-	-
Share based payment expense	-	-	10,415
(Transfer to statutory reserve)/ Transfer from retained income	-	-	-
(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**
COMPANY			
Balance at 1 January 2013	130,821	-	3,955
Profit for the year	-	-	-
Share based payment expense	-	-	1,422
Dividends paid	-	-	-
Balance at 31 December 2013	**130,821**	**-**	**5,377**
Profit for the year	-	-	-
Share based payment expense	-	-	2,719
Dividends paid	-	-	-
Balance at 31 December 2014	**130,821**	**-**	**8,096**

Equity attributable to equity holders of the parent

Statutory capital reserve P'000	Solvency reserve P'000	Foreign currency translation reserve P'000	Conso--lidation reserve P'000	Total non-distributable reserve P'000	Retained income P'000	Total P'000	Non-controlling interest P'000	Total equity P'000
640,706	946	45,378	(91,795)	583,724	1,230,416	1,944,961	33,651	1,978,612
-	-	21,944	-	21,944	492,500	514,444	2,273	516,717
-	-	-	-	-	492,500	492,500	2,273	494,773
-	-	21,944	-	21,944	-	21,944	-	21,944
-	-	-	-	6,248	-	6,248	-	6,248
93,177	-	-	-	93,177	(67,106)	26,071	-	26,071
-	-	-	21,952	21,952	(21,952)	-	-	-
-	-	-	7,379	8,703	-	8,703	-	8,703
-	-	-	-	-	(98,375)	(98,375)	(1,012)	(99,387)
-	-	-	-	9,946	(6,597)	3,349	-	3,349
--	-	-	-	-	-	-	-	-
733,883	**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)	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)
530,274	**946**	**66,726**	**(68,777)**	**547,772**	**2,007,474**	**2,686,067**	**18,569**	**2,704,636**
9,762	-	-	-	13,717	67,598	212,136	-	212,136
-	-	-	-	-	41,781	41,781	-	41,781
-	-	-	-	1,422	-	1,422	-	1,422
-	-	-	-	-	(90,997)	(90,997)	-	(90,997)
9,762	**-**	**-**	**-**	**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)
9,762	**-**	**-**	**-**	**17,858**	**139,339**	**288,018**	**-**	**288,018**

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		GROUP		COMPANY	
	Note	2014 P'000	2013 P'000 Restated	2014 P'000	2013 P'000
Net cashflows from operating activities		**643,019**	**(3,971,630)**	**24,510**	**22,545**
Cash generated from/(utilised in) operations	22	290,693	(4,427,313)	(168,367)	32,645
Interest received		428,116	453,687	89	190
Dividend received from equity investments		118,669	145,244	-	-
Dividends received from subsidiaries		-	-	408,351	90,997
Dividends received from associates		59,738	41,955	-	-
Tax paid	16.1	(54,004)	(94,206)	(15,370)	(10,290)
Dividends paid		(200,193)	(90,997)	(200,193)	(90,997)
Net cashflows (utilised in) / from investing activities		**(565,225)**	**3,791,765**	**(7,154)**	**(36,399)**
Purchase of property and equipment	2	(6,052)	(14,377)	(1,204)	(5,454)
Purchase of computer software	3	(5,524)	(5,204)	(2,187)	(280)
Increase in investment in subsidiary	4.5	-	-	(3,763)	(30,665)
Sale of investment properties	4.4	45,880	-	-	-
Disposal of short-term insurance business		(4,717)	-	-	-
Disposal of subsidiary, net of cash disposed	4.6	4,853	-	-	-
Investment in associate	4.5	-	(23,267)	-	-
Net movement in investments		(599,665)	3,834,613	-	-
Net increase / (decrease) in cash and cash equivalents		77,794	(179,865)	17,356	(13,854)
Cash and cash equivalents at the beginning of the year		580,674	760,539	5,902	19,756
Cash and cash equivalents at the end of the year	**23**	**658,468**	**580,674**	**23,258**	**5,902**

Included in the money market instruments are the cash and cash equivalents amounting to P110 million (2013: P143 million). These cash and cash equivalents 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

FOR THE YEAR ENDED 31 DECEMBER 2014

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 also provides funeral services 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

The Group's 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.

All amounts in the notes are shown in thousands of Pula (P'000) which is the Group's functional 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 170. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

3. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Insurance Industry Act (CAP 46:01), the Botswana Companies Act (Companies Act, 2003) and the Botswana Stock Exchange Act. 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.

4. CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

Amendments to IAS 32 - Financial Instruments: Presentation

Clarifies certain aspects because of diversity in application of the requirements on offsetting focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The amendments did not have any impact on the disclosures for the Group as the Group as does not have any offsetting arrangements.

IFRS 2 – Share Based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The improvement has been early adopted by the Group and no carrying amounts were impacted.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Amends IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 - Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 - Financial Instruments or IAS 39 - Financial Instruments: Recognition and Measurement,
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries, and

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The Group consolidates all of the subsidiaries in which it has assessed that it has control in terms of the guidance of IFRS 10 and so these amendments will have no impact on the presentation and disclosure of the Group financials.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

IFRIC 21 had no material financial impact in the financial statements of the Group.

Amendments to IAS 36 - Impairment
To reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The Group has in the previous financial statements made the necessary disclosure of recoverable amounts and discount rates and therefore this amendment did not introduce any additional disclosures.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
Amends IAS 39 - Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

This amendment had no material effect on the company's financials as no derivatives were held for hedging purposes.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

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.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

The standard is effective for annual periods beginning on or after 1 January 2016. Early application is permitted and must be disclosed.

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.

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 Botswana Life which carries 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, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments will have no impact on the Group as they won't qualify as an investment entity as defined by IFRS 10.

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

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 Statement of 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.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as currently issued, reflects the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 and hedge accounting.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The group does not apply hedge accounting. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

The estimated effective date of IFRS 9 is 1 January 2018. The Group will qualify the effect in conjunction with the other phase, when the final standard including all phases is issued.

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

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment,

- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can demonstrate that revenue and the consumption of the economic benefits of the intangible asset are highly correlated, and

- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The Group does not use revenue as a basis for allocating the depreciation or amortisation of its Property, plant and equipment as well as Intangible assets and therefore this amendment has no impact on the financial performance or position of the Company.

The effective date of this amendment to IAS 16 and IAS 38 is 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 amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

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 effect of the amendment on revenue is still being assessed. The effective date of IFRS 15 is 1 January 2017.

Improvements to International Financial Reporting Standards – 2010-2012 Cycle

In the 2010-2012 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 that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable.

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.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that: An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.The amendment will not have any impact on the financial performance of the Group but will only affect the disclosures.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

The amendment will not have an impact on the financial statement as the Group accounts for property, plant and equipment and intangible assets at cost.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
The amendment will not have any impact on the financial statements as the Group does not have such arrangements.

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 will 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 will 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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.

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.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements

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

The amendment must be applied retrospectively.

The amendments will have no impact on the financial statements of the Group as the Group does not have servicing contracts and does not offset financial instruments.

IAS 19 Employee Benefits

Discount rate: regional market issue

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

The amendment must be applied prospectively.

The amendment will have no impact as the Group operates a defined contribution pension plan and not a defined benefit plan.

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.

5. 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 from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects 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
DAC	Direct and indirect costs incurred during the writing or renewing of an insurance contract, which are deferred, to the extent that these costs will be recovered out of future revenue margins.
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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

5. ABBREVIATIONS AND KEY (CONTINUED)

A glossy of insurance specific terminology (continued)

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 Insurance Contracts.

A glossy of share-based payment specific terminology:

Cash-settled share based payment transaction	A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity.
Equity-settled share-based payment transaction	A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).
Employees and others providing similar services	Individuals who render personal services to the entity and either (a) the individuals are regarded as employees for legal or tax purposes, (b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, or (c) the services rendered are similar to those rendered by employees. For example, the term encompasses all management personnel, i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including non-executive directors.
Equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Equity instrument granted	The right (conditional or unconditional) to an equity instrument of the entity conferred by the entity on another party, under a share-based payment arrangement.
Fair value	The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.
Grant date	The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.

Intrinsic value	The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares. For example, a share option with an exercise price of P15 on a share with a fair value of P20 has an intrinsic value of P5.
Market condition	A performance condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price (or value) of the entity's equity instruments (or the equity instruments of another entity in the same group), such as: a) attaining a specified share price or a specified amount of intrinsic value of a share option; or b) achieving a specified target that is based on the market price (or value) of the entity's equity instruments (or the equity instruments of another entity in the same group) relative to an index of market prices of equity instruments of other entities. A market condition requires the counterparty to complete a specified period of service (i.e. a service condition); the service requirement can be explicit or implicit.
Measurement date	The date at which the fair value of the equity instruments granted is measured for the purposes of IFRS 2. For transactions with employees and others providing similar services, the measurement date is grant date. For transactions with parties other than employees (and those providing similar services), the measurement date is the date the entity obtains the goods or the counterparty renders service.
Performance condition	vesting condition that requires: (a) the counterparty to complete a specified period of service (i.e. a service condition); the service requirement can be explicit or implicit; and (b) specified performance target(s) to be met while the counterparty is rendering the service required in (a). The period of achieving the performance target(s): (a) shall not extend beyond the end of the service period; and (b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period. A performance target is defined by reference to: (a) the entity's own operations (or activities) or the operations or activities of another entity in the same group (i.e. a non-market condition); or (b) the price (or value) of the entity's equity instruments or the equity instruments of another entity in the same group (including shares and share options) (i.e. a market condition). A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

5. ABBREVIATIONS AND KEY (CONTINUED)

A glossy of share-based payment specific terminology (continued)

Reload feature	A feature that provides for an automatic grant of additional share options whenever the option holder exercises previously granted options using the entity's shares, rather than cash, to satisfy the exercise price.
Reload option	A new share option granted when a share is used to satisfy the exercise price of a previous share option.
Service condition	A vesting condition that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, it has failed to satisfy the condition. A service condition does not require a performance target to be met.
Share-based-payment arrangement	An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive
	a) cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity, or another group entity, or b) equity instruments of the entity (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.
Share-based-payment transaction	A transaction in which the entity (a) receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services (including an employee) in a share-based payment arrangement, or incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods.
Share option	A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specified period of time.
Vest	To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.
Vesting conditions	A condition that determines whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. A vesting condition is either a service condition or a performance condition.
Vesting period	The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

6. 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 2014 was P7, 355 million (31 December 2013: P6, 810 million).

(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.

Carrying amount at year end P421.5 million (2013: P482.3 million).

(iii) Impairment of financial assets

The investments in unlisted equity instruments, debentures and other loans have been impaired based on the expected cash flows, discounted at the effective interest rates. This impairment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to significant judgement uncertainty. Impairment losses written off in the current year amounted to PNIL (31 December 2013: PNIL).

(iv) Impairment of non-financial assets

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

(v) Determination of fair value of investment properties

Investment property comprise properties held to earn rental income and /or capital appreciation. Investment properties that generate income 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.

(vi) Deferred tax assets

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 to 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 the 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 P7,355 million (31 December 2013: P6,810 million)

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 P37.4 million (2013: P34.8 million).

Provision for future bonuses

Future bonuses of 3% (2013: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business

The business is valued on a prospective basis assuming 3% (2013: 3%) per annum bonus rates going forward and allowing for prescribed margins. Bonus stabilisation reserves have been established.

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 P49.5 million (2013: P52.7 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 P53.7m (2013: P50.7 million) of which P9.0 million (2013: P8.3 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 P4.8 billion (2013: P4.3 billion).

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 P374.8 million (2013: P374.3 million)

HIV/AIDS

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

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

Provision for minimum investment returns guarantees

In addition to the liabilities described above, provision is made consistent with actuarial guidance note APN 110 for the possible cost of minimum investment return guarantees provided by the annuity business. Additional mismatch reserves are also held on the annuity business. The carrying amount for the mismatch reserve is P58.5 million (2013: P69.7 million).

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 insurance premiums. The claims provision for Legal Guard is based on 10% of claims as allowed by the regulator.

(ix) Unearned premium

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. The business uses 1/365ths for UPR calculation based on each policy. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

(x) Unexpired risk provisions

An unexpired risk provision is made for nay 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 balance sheet date. Unexpired risks surpluses and deficits are aggregated where business classes are managed together. No unexpired risk provision was raised at 31 December 2014 or 31 December 2013.

(xi) 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

(xi) Fair value measurement (continued)

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.

(xii) 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 and obligations for specific assets, liabilities, expenses, and revenues (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) give it rights to the net assets and is therefore classified as a joint venture.

(xiii) 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 49% in the various associates as per note 4.5 over which the Group has determined that it holds significant influence.

7. 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 balance sheet in terms of IFRS but are disclosed as a note. Refer to note 8.

8. 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 fair value of the assets held.

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.

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 balance sheet. 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.

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.

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.

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. As at year end the reinsurance contracts the Group entered into during the year had impact of P3.7 million loss (31 December 2013: P0.92 million loss) on the Group profit.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

h) Pre-existing matters income

When a client has a pre-existing legal matter on the legal insurance product lines (a legal matter that existed before the client became a policyholder), they may be required to contribute a certain amount towards their cases. This amount is recognised as pre-existing income.

i) Conveyance income

Legal insurance policies allow a member to claim for conveyance costs incurred. However, the client will contribute a certain ratio of the costs. The client contribution is recognised as conveyance income.

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.

Income 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 2014. 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 only 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 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 entity in which each venture has an interest. 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 effected is 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 statement of financial position 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

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

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

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

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

Financial instruments at fair value through profit or loss

A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets 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 statement of financial position 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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets and non-financial assets (continued)

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 the following loss events:

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been at the measurement date, had the impairment not been recognised in the past. The amount of the reversal is recognised in profit or loss.

(ii) Non- financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. 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 recognised therefore it is not annually tested for impairment separately.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 statement of financial position 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. As at the reporting date, the assets and liabilities of the associates are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position 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.

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

The leasehold improvements are depreciated over the lower of the lease term and the useful life of the 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

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.

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 asset is available for use and ceases at the earlier of the 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 asset and are recognised in the income statement when the asset is derecognised.

(i) Computer software

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

Costs that are clearly associated with an identifiable system, which will be controlled by the Group and which have a probable benefit beyond one year, are recognised as an asset provided they meet the definition of development costs.

Computer software development costs recognised as assets are amortised in the income statement on the straight-line method over their useful lives, not exceeding a period of three years and are carried in the balance sheet 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 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.

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.

Deferred acquisition costs

Acquisition costs, which represent commissions and other related expenses, are deferred over the period in which the related general insurance premiums are earned and are recognised in full through the profit and loss for the period they relate to. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period.

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 statement of financial position 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 statement of financial position 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 statement of financial position 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes and Value Added Tax (VAT) (continued)

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 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 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.

There are no post-retirement medical funding requirements.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises a liability and expense for termination benefits at the earlier of the following dates:

(a) when the entity can no longer withdraw the offer of those benefits; and
(b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

Termination benefits are normally paid off within 12 months, hence they are not discounted.

(iv) Leave pay provision

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 and when at least one 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled transactions (continued)

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 statement of financial position date. Dividends that are approved after the statement of financial position 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 rents are recognised as revenue in the period in which they are earned.

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.

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 sorely 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 of the insurer as ascertained under part VI of the Income Tax Act.

Long-term reinsurance contracts

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. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

The Group assesses its long-term reinsurance assets for impairment bi-annually. 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.

Insurance Contracts Liabilities

The Group's main insurance products are;

- non-participating annuities;
- employee benefits;
- universal individual life product "Mompati" and;
- insurance contracts with discretionary participation features

Mompati is a universal life product designed to provide insurance benefits such as life cover, disability and hospitalisation benefits under an umbrella product with an investment component. The product also allows for funeral cover for the main member as well as his/her family members.

The value of the investment account is paid in the event of maturity or surrender. The investment account is credited with premiums received (net of expense charges, commission and the cost of risk benefits) and investment returns.

The policyholder liability for annuities includes a mismatch and re-investment reserve. Its purpose is twofold:

- to ensure that the Group is able to withstand any losses due to the mismatch of asset and liability cash flows
- To provide against reinvestment risk that arises 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 2014 exceeds the minimum requirements in terms of the Botswana Insurance Industry Act and NBFIRA's IPR1L.

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 statement of financial position date. The fund assets and liabilities used to determine the unit-prices at the statement of financial position 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment contract liabilities (continued)

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

Investment contracts expose the investor to financial risks.

Capital and Risk Management

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

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

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

Capital management

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

The Group manages its capital structure and 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 2014 and 31 December 2013.

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.

	2014 P'000	2013 P'000
Shareholder's equity	2,686,067	2,405,401
Prescribed Capital Target (Life business only)	137,085	151,900
Ratio of Excess Assets to Prescribed Capital Target (Life business only)	11.32	9.2

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 125 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and Risk Management (continued)

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

OTHER RISK MONITORING MECHANISMS

BIHL Board: Reviews and oversees the management of the Group's capital base	**Actuarial Committee:** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Compliance: Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof	**Group Risk Forum:** Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the BIHL Board	**Non-listed Asset Review:** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the BIHL Board
Chief Financial Officer: Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial:** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques	**Group Governance/ Secretariat and Public Officers:** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters
Forensics: Investigates and reports on fraud and illegal behaviour	**Investment Committees:** Determines and monitors appropriate investment strategies for policyholder solutions	**Group IT Risk Management:** Manages and reports Group-wide IT risks

Risk Officer (per business): Assists business management in their implementation of the Group risk management process, and to monitor the business' entire risk profile	**Internal Audit:** Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses

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 152 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General operational risks (continued)

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, through the Group IT Steering Committee, 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. 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk management: per type of risk (continued)

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 impact of a 1% parallel movement is shown below:

	2014 P'000	2013 P'000
The mean duration of non-participating annuity liabilities is:	8.95 years	8.90 years
The mean duration for the supporting assets is:	7.92 years	7.70 years

The loss from a 1% parallel rise in interest rates is approximately P20.9m (2013: P41.9 m for a 1% fall)

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)
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**
2013						
Individual Life Business	2,074,576	2,083,259	2,090,602	2,082,216	2,080,579	2,078,860
Annuity Business	4,368,934	4,365,126	4,372,773	4,374,070	4,368,934	4,402,668
Group Life Business	360,073	360,073	361,153	360,236	360,073	371,776
Total	**6,803,583**	**6,808,458**	**6,824,528**	**6,816,522**	**6,809,586**	**6,853,304**

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.

	EFFECT ON VIF AFTER TAX	
	2014 P'000	**2013 P'000**
Sensitivity		
Base Assumption	1,137.1	957.6
Increase risk discount rate by 1,0%	1,085.9	918.7
Decrease risk discount rate by 1,0%	1,193.8	1,000
Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rate and with bonus rates changing commensurately	1,190.0	993.4
Maintenance unit expenses (excluding investment expenses) decrease by 10%	1,151.4	967.7
Discontinuance rates decrease by 10%	1,181.7	995.2
Mortality and morbidity decreased by 5% for assurances, coupled with a 5% decrease in mortality for annuities	1,183.2	983.2
Equity and property assets fall by 10%	1,133.4	957.1

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital adequacy risk

The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which in turn is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the Companies' shareholders' fund, (as determined according to IPR3L-Prescibed Capital Target (PCT) for Long-term Insurers by NBFIRA). The Prescribed Capital Target (PCT) is covered 11.3 times (31 December 2013: 9.2 times).

Concentration of insurance risk

Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could however increase the relative portfolio risk. The tables below provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The figures below represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

			BEFORE REINSURANCE		AFTER REINSURANCE	
	2014 Number of lives	2013 Number of lives	2014 Pula P'000	2013 Pula P'000	2014 Pula P'000	2013 Pula P'000
0 - 500	660,194	646,545	7,976,593	8,251,306	7,779,009	8,034,299
500 - 1 000	1,025	777	673,917	499,835	103,700	78,900
1 000 - 5 000	1,641	801	2,329,241	1,148,386	164,100	80,100
5 000 - 8 000	13	8	71,414	43,599	1,300	800
>8 000	6	6	60,209	60,193	600	600
	662,879	648,137	11,111,374	10,003,319	8,048,709	8,194,699

Non-participating annuity payable per annum per life insured

P'000	2014 Number of lives	2013 Number of lives	2014 Pula P'000	2013 Pula P'000
0-20	2331	2,313	23,493	22,926
20-40	1424	1,311	42,167	61,968
40-60	1073	992	53,968	111,881
60-80	811	709	57,054	161,665
80-100	628	570	59,636	215,818
>100	991	854	142,152	123,208

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.

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, 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 2014 and 2013 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.

Primary segment - Business segments
At 31 December 2014, 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 primary segment information. The Group is therefore organised into three principal areas of business – Life Insurance, Asset Management Services and general insurance. During the year some part of the General insurance business was disposed.

Secondary segment - 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 therefore only has significant operations in Botswana hence a geographical segment analysis has not been provided. The results for African Life Financial Services (Zambia) Limited and Quantum Assets Zambia Limited, the associate companies are disclosed on note 4.5.

The amounts used for segment reporting are measured using IFRS principles.

Other segments
The source of revenue for segments included in other segments is Unit Trusts business, Holding Company and the Corporate Social Investment Trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. SEGMENTAL ANALYSIS (CONTINUED)

	LIFE BUSINESS		ASSET MANAGEMENT	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
1.1 Segment information by products and services				
Premium revenue				
- Internal	-	-	-	-
- External	1,948,073	1,844,243	-	-
Fee revenue				
- Internal	-	-	5,548	5,271
- External	-	-	107,062	94,414
Investment income	452,176	419,799	535,799	194,319
- Interest income	436,026	396,237	401,063	75,820
- Dividend income	41,189	54,043	113,480	91,201
- Other	(25,039)	(30,481)	21,256	27,298
Fair value losses on sale of subsidiary	-	-	(15,878)	-
Fair value gains and losses	150,298	793,155	(311,311)	1,553,294
Total net income	**2,550,547**	**3,057,197**	**321,220**	**1,847,298**
Profit(loss) for the year before tax	400,374	383,320	115,381	114,751
Depreciation	3,658	3,010	548	271
Amortisation	5,668	5,699	-	-
Impairment of goodwill	-	-	-	-
Share-based expense	38	202	-	-
Income tax expense	84,000	68,918	23,660	17,073
Selling expenses	257,735	243,372	-	-
Net Insurance benefits and claims	1,173,806	1,038,326	-	-
Change in policyholder liabilities under life insurance contracts	547,354	1,220,554	-	-
Change in liabilities under investment contracts	-	-	205,052	1,719,987
Movement in short term insurance liabilities	-	-	-	-
Total Assets	9,318,427	8,590,867	8,084,328	7,826,420
Total Liabilities	7,773,619	7,196,561	7,591,789	7,355,208
Capital expenditure	7,156	11,015	459	234
Profit on sale of short-term insurance division	-	-	-	-
Associates and joint venture				
Share of profit of associates	-	-	62,671	43,198
Investment in associates	1,250,331	-	337,169	167,359

	GENERAL INSURANCE		OTHER		INTER-SEGMENTAL		CONSOLIDATED TOTAL	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014 P'000	2013 P'000
	-	-	-	-	-	-	-	-
	38,610	42,202	-	-	-	-	1,986,683	1,886,445
								-
	-	-	-	-	(5,548)	(5,271)	-	-
	697	1,031	3,156	2,594	-	-	110,915	98,039
	769	624	462,598	115,428	(478,773)	(135,059)	972,569	595,111
	769	624	37,926	(24,902)	5,548	5,271	881,332	453,050
	-	-	424,672	140,330	(484,321)	(140,330)	95,020	145,244
	-	-	-	-	-	-	(3,783)	(3,183)
	-	-	-	-	-	-	(15,878)	-
	-	-	-	(3,322)	-	-	(161,013)	2,343,127
	40,076	**43,857**	**465,754**	**114,700**	**(484,321)**	**(140,330)**	**2,893,276**	**4,922,722**
	(12,073)	(11,085)	370,767	52,980	(247,492)	39,428	626,958	579,394
	551	470	1,992	707	-	-	6,749	4,458
	23	668	1,986	1,940	-	-	7,678	8,307
	-	-	20,160	-	-	-	20,160	-
	2,719	-	-	1,422	7,657	4,624	10,415	6,248
	(878)	(677)	16,946	6,685	(16,232)	(7,378)	107,495	84,621
	1,164	120	-	-	-	-	258,899	243,492
	18,589	21,412	-	-	-	-	1,192,395	1,059,738
	-	-	-	-	-	-	547,354	1,220,554
	-	-	-	-	-	-	205,052	1,719,987
	-	13,788	-	-	-	-	-	13,788
	30,374	64,843	2,328,822	2,897,304	(4,906,962)	(5,311,692)	14,854,989	14,067,742
	28,304	53,015	1,499,690	2,108,168	(4,743,048)	(5,085,523)	12,150,353	11,627,429
	531	2,203	3,430	6,129	-	-	11,576	19,581
	932	-	-	-	-	-	932	-
	-	-	190,946	146,004	-	-	253,618	189,202
	-	-	59,423	1,271,863	-	-	1,647,451	1,439,222

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

2. PROPERTY AND EQUIPMENT

	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
GROUP					
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	5,115	1,640	3,013	20,138
2013					
Cost					
At 1 January 2013	20,661	20,180	5,639	14,796	61,276
Additions	10,062	1,260	598	2,457	14,377
Disposals	(15)	(6)	-	-	(21)
At 31 December 2013	**30,708**	**21,434**	**6,237**	**17,253**	**75,632**
Accumulated depreciation					
At 1 January 2013	17,035	14,576	5,098	13,656	50,365
Current year charge	1,708	1,309	216	1,225	4,458
Disposals	(12)	(6)	-	-	(18)
At 31 December 2013	**18,731**	**15,879**	**5,314**	**14,881**	**54,805**
Carrying amount					
At 1 January 2013	3,626	5,604	541	1,140	10,911
At 31 December 2013	11,977	5,555	923	2,372	20,827

	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvements P'000	Total P'000
COMPANY					
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
2013					
Cost					
At January 2013	600	1,503	179	156	2,438
Additions	4,700	152	-	602	5,454
Disposals	-	-	-	-	-
At 31 December 2013	**5,300**	**1,655**	**179**	**758**	**7,892**
Accumulated depreciation					
At 1 January 2013	125	206	33	10	374
Current year charge	317	235	35	53	640
At 31 December 2013	**442**	**441**	**68**	**63**	**1,014**
Carrying amount					
At 1 January 2013	475	1,297	146	146	2,064
At 31 December 2013	4,858	1,214	111	695	6,878

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

3. INTANGIBLE ASSETS

	Goodwill P'000	Computer software P'000	Total P'000
GROUP			
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	27,648	122,410
2013			
Cost			
At 1 January 2013	114,923	61,391	176,314
Additions	-	5,204	5,204
Disposals	-	-	-
At 31 December 2013	**114,923**	**66,595**	**181,518**
Accumulated amortisation and impairment			
At 1 January 2013	-	22,313	22,313
Current year amortisation	-	8,307	8,307
At 31 December 2013	**-**	**30,620**	**30,620**
Carrying amount			
At 1 January 2013	114,923	39,078	154,001
At 31 December 2013	114,923	35,975	150,898

	Goodwill P'000	Computer software P'000	Total P'000
COMPANY			
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
2013			
Cost			
At 1 January 2013	-	7,481	7,481
Additions	-	280	280
Disposals	-	-	-
At 31 December 2013	**-**	**7,761**	**7,761**
Accumulated amortisation and impairment			
At 1 January 2013	-	892	892
Current year amortisation	-	1,940	1,940
At 31 December 2013	**-**	**2,832**	**2,832**
Carrying amount			
At 1 January 2013	-	6,589	6,589
At 31 December 2013	-	4,929	4,929

Impairment testing of goodwill

Goodwill acquired through business combinations have 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

	2014 P'000	2013 P'000
Carrying amount of goodwill		
Asset management business	72,563	72,563
Non-Life insurance	22,200	42,360
Total	**94,763**	**114,923**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

3. INTANGIBLE ASSETS (CONTINUED)

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 origional 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 4.5% in the foreseeable future which is in line with industry average and the country's long term inflation targets.

Asset management business

The recoverable amount of the asset management business unit has been 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% (2013: 18%) is used. The projected cashflows beyond the 10 years have been extrapolated using a steady average growth rate of 4.5% (2013: 5%) not exceeding the long-term average growth rate for the market in which the business operate. The projected cashflows are determined by budgeted margins based on past performances, management expectations and market developments.

The key assumptions used for the impairment calculations of the asset management business are:

	2014	2013
Investment income/surplus return	7.6%	6.8%
Investment growth on AUM (after tax)	7.0%	7.9%
Net inflows as a % of AUM	(2.0%)	1.0%

Non-life insurance business

The recoverable amount of the non-life 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 10-year period and perpetual growth of 5% thereafter. A weighted average cost of capital of 15.3% (2013:pre-tax Group specific risk- adjusted discount rate of 20%) is used. The projected cash flows beyond the ten years excluding expenses have been extrapolated using a steady average growth rate of 5% (2013: 8.5%), not exceeding the long-term average growth rate for the market in which the unit operates. 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:

	2014	2013
Growth is Gross Earned Premium (GEP)	17.0%	-
Premiums and margins	0%	5%
Expenses	0%	6%
WACC	15.3%	-
Risk discount rate	-	20%

Changes in the valuation assumptions of the non-life business

Given the structural changes in BIHL Sure during 2014, and due to lack of sufficient information to continue the DCF model that was used to value the business up until December 2013, the Group used the P/E method.Consequently the assumptions used changed.

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.

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 P62 million (2013: P95 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 5.5% 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 P13 million.

An impairment loss of P20.2 million has been recognised in 2014 in the non-life insurance business unit due to the continued losses the business has been making.

4. INVESTMENTS

Fair values

At 31 December 2014 and 31 December 2013, the carrying value of financial instruments reported in the financial statements approximate their fair values.

	GROUP		COMPANY	
	2014 P'000	2013 P'000 Restated	2014 P'000	2013 P'000
Investments designated as fair value through profit or loss				
At the beginning of the year	11,293,287	12,735,404	-	-
Net movement	841,138	(3,785,244)	-	-
Fair value adjustments on investments	(161,013)	2,343,127	-	-
At the end of the year	11,973,412	11,293,287	-	-
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)	5,427,365	4,956,571	-	-
Money market instruments	110,991	143,262	-	-
Policy loans and other loan advances (Note 4.3)	421,517	482,259	-	-
	5,959,873	**5,582,092**	**-**	**-**

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 7.25% to 12.00%. For unlisted bonds, interest rates are fixed, with coupon rates falling between 10.00% and 11.25% annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 10 and 27 years for all listed and unlisted bonds.

Money markets constitutes funds invested in call accounts. The average market interest rate for money market instruments was 4.25% for 2014 (2013: 3.2%). All money market instruments are of a short term nature, being exercisable within one year of year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. INVESTMENTS (CONTINUED)

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
4.2 Equity investments				
Listed in Botswana	1,636,467	1,068,016	-	-
Listed foreign markets	4,302,977	4,531,100	-	-
Unlisted	74,095	112,079	-	-
	6,013,539	**5,711,195**	-	**-**
Sectoral analysis for bonds, money market and equity instruments				
Consumer discretionary	525,064	458,577	-	-
Financials	3,325,152	4,333,785	-	-
Energy	174,835	139,887	-	-
Education	66,273	67,916	-	-
Property	1,209,279	1,279,008	-	-
Tourism	154,469	114,667	-	-
Offshore foreign equities	4,302,977	4,531,100	-	-
Government	2,215,363	368,347	-	-
	11,973,412	**11,293,287**	-	**-**

Listed financial assets:

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

Unlisted financial assets:

These investments have been valued 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 (2013: 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 multiplying the number of units by 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

For unlisted units in funds the unit price is used.

Debt instruments

For debt instruments the contractual cash flows are used and a discount rate reflecting the time value of money and a credit risk adjustment.

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
4.3 Policy loans and other loan advances				
Opening balance	482,259	540,370	-	-
New loans	559	29,832	-	-
Interest charges	6,834	16,529	-	-
Repayments	(38,367)	(42,625)	-	-
Impairment	(1,835)	(869)	-	-
Loan redemption from units	(27,933)	(60,978)	-	-
	421,517	**482,259**	**-**	**-**
Loans secured against the company's insurance policies	39,371	79,975	-	-
Other loans	382,146	402,284	-	-

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 2014 was 13.5% (2013: 13.5%)

As at the year end,an amount of P1.8 million (2013: P869,000) was charged to the income statement as impairment. 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 9% (2013: 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 (2013: 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	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
4.4 Investment property				
At beginning of the year	300,681	277,583	-	-
Disposal of investments	(45,880)	-	-	-
Revaluations	(26,943)	23,098	-	-
	227,858	**300,681**	**-**	**-**
Physical properties held	106,365	109,885	-	-
Investments in unlisted property companies	121,493	190,796	-	-

Investment properties are stated at fair value which has been determined based on valuations performed by Knight Frank; an accredited independent valuer, as at 31 December 2014 and 31 December 2013 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. INVESTMENTS (CONTINUED)

4.4 Investment property (continued)

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, maintanace 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.

	2014	2013
Inflation rate (%)	4.3%	4.1%
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 by multiplying the number of units by the net asset value per unit held in the property fund.

For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
4.5 Interest in associates / joint ventures and subsidiaries (subsidiaries at company level)				
Carrying amounts at beginning of the year	1,439,221	1,268,707	320,996	323,391
Share of results after tax	253,618	189,202	-	-
Dividend received	(59,738)	(41,955)	-	-
Reclassification of subsidiary to associate due to loss of control	14,350	-	-	-
Additional investment in associates (subsidiaries at company level)	-	23,267	3,763	30,665
Impairment	-	-	(65,195)	(33,060)
Carrying amount at the end of the year	**1,647,451**	**1,439,221**	**259,564**	**320,996**

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 23.26% (2013: 23.36%) 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 following table illustrates the summarised financial information of the Group's investment in LHL:

Dilution of interest in Letshego Holdings Limited

In the prior year LHL issued ordinary shares in settlement of a loan provided by ADPI Holdings. The issue of ordinary shares to ADPI Holdings led to BIHL's share being diluted from 25.33% to 23.36%. The dilution in interest means that BIHL lost a portion of the original capital invested and is also entitled to less cumulative reserves of Letshego after the transaction. The dilution was effectively a sale of 7.8% of the Group's 25.3% share and a reduction in the equity accounted carrying value of the investment in Letshego at 30 April 2013. The reduction is calculated as the percentage dilution times the equity accounted balance of the investment in Letshego at 30 April 2013. Although the Group's interest was reduced, the impact of the reduction was partially mitigated by the Group's share of the increase in the net asset value of Letshego through the settlement of a loan with equity. The dilution had an effect of a reduction in the share of profit of associate income of P23 million and a corresponding effect on the balance sheet was recorded.

The Group owns 33.97% (2013: 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. FSG is 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 following table illustrates the summarised financial information of the Group's investment in FSG:

The fair value of the listed associates (Letshego Holdings Limited and Funeral Services Group) was P1,444 million (2013:P 1,272 million)

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:

	2014 P'000	2013 P'000
Genebase Holdings (Pty) Ltd	-	11,487
Bifm Unit Trusts (Pty) Ltd	-	8,178
BIHL Insurance Company Ltd	65,195	13,395
	65,195	**33,060**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

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	50.00%	20.00%	33.97%
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 the joint venture and associates (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	-	-	(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	22,284	(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	Letshego	Total
2,208	3,206	74,259	11,064	65,215	148,026	1,250,331	1,647,451
33.00%	33.00%	49.00%	49.00%	29.60%	24.85%	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	148,026	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**	**(10,886)**	**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 2014

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)			
2013			
Carrying amount (P'000)	3,187	27,716	52,328
Interest in issued share capital			
Shareholders' fund	50%	20%	34%
Share of earnings after tax for current year (P'000)	984	13,684	8,563
Distributions received			
Shareholders' fund (P'000)	-	-	(3,549)
Total assets and liabilities of associated company (P'000)			
Non-current assets	341	27,717	142,352
Current financial assets , excluding cash and cash equivalents	7,563	41	14,738
Cash and cash equivalents	5	9,807	57,527
Non current financial liabilities excluding trade and other payables and provisions	-	-	(7,668)
Current financial liabilities excluding trade and other payables and provisions	(500)	-	(2,786)
Current liabilities	(1,932)	(150)	(25,739)
Shareholders equity	**5,477**	**37,414**	**178,422**
	3,187	27,716	52,328
Calculated carrying value	2,739	7,482	60,616
Effects of fair value adjustments and Goodwill at initial recognition	448	20,234	(8,288)
Summarised statement of profit or loss of the joint venture and associates (P'000)			
Revenue	8,208	5,676	81,770
Interest income	45	406	2,250
Cost of sales	-	-	(11,489)
Administration expenses, excluding depreciation and amortisation	(5,601)	(339)	(45,375)
Depreciation and amortisation	(129)	-	(4,646)
Finance costs, including interest expense	-	(185)	(5,169)
Profit before tax	**2,523**	**5,743**	**22,326**
Income tax expense	(452)	(383)	(3,979)
Profit for the year (continuing operations)	**2,071**	**5,360**	**18,347**
Group's share of profit for the year	**984**	**13,684**	**8,563**

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	Healthcare Holdings	Fuene	Letshego	Total
1,692	2,353	68,627	16,694	140,357	1,126,267	1,439,221
33%	33%	49%	30%	25%	23.26%	
313	645	10,907	3,562	13,103	137,440	189,203
-	-	-	-	-	(38,406)	(41,955)
38,207	204,343	17,745	50,030	530,072	125,342	
1,774	1,805	33,439	14,258	22,945	4,452,778	
7,323	22,215	13,814	7,687	10,328	387,748	
(36,456)	(201,874)	(1,022)	-	(42,237)	(1,235,331)	
(1,311)	-	(7,579)	-	-	(121,252)	
(390)	(1,203)	(12,930)	(1,129)	(8,936)	(96,485)	
9,147	**25,285**	**43,467**	**70,847**	**512,171**	**3,512,800**	
1,692	2,353	68,627	16,694	140,357	1,126,267	1,439,221
3,018	8,345	21,298	20,971	127,275	820,590	1,072,334
(1,326)	(5,992)	47,329	(4,277)	13,082	305,678	366,887
3,431	8,752	57,188	22,572	114,285	249,302	
6,427	17,817	1,179	474	135	1,091,993	
(3,119)	(7,956)	-		-	-	
(364)	(983)	(29,611)	(2,493)	(20,278)	(398,190)	
-	-	(583)	(1,017)	(33)	(8,879)	
(15,148)	(167)	(4,109)	(38,377)	(114,924)		
1,206	**2,481**	**28,006**	**15,427**	**55,732**	**819,302**	
(265)	(546)	(10,506)	(1,503)	(785)	(178,310)	
941	**1,935**	**17,500**	**13,924**	**54,947**	**640,992**	
313	**645**	**10,907**	**3,562**	**13,103**	**137,440**	**189,203**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. INVESTMENTS (CONTINUED)

	GROUP 2014 P'000	GROUP 2013 P'000
4.6 Disposal of subsidiary		
During the 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	(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		
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

During 2014 BIHL entered into discussions with Botswana Insurance Company 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 have been transferred 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	
	2014 P'000	2013 P'000
Revenue		
Net insurance premium income	6,006	8,420
Gross Insurance premium income	17,658	13,881
Insurance premium ceded to reinsurers	(11,652)	(5,461)
Investment income	334	255
Total income	6,340	8,675
Net insurance and investment contract benefits and claims	(5,342)	(5,210)
Gross insurance benefits and claims	(9,382)	(8,223)
Reinsurance claims	4,040	3,013
Expenses		
Sales remuneration	(1,009)	918
Administration expenses	(14,738)	(8,314)
Profit on sale of short-term insurance business	932	
Loss for the year from discontinued operations	**(13,817)**	**(3,931)**
No tax accrued to the discontinued operation during the current year		

Restatement

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Statement of Cashflows have been restated to reflect the results of the discontinued operations.

The carrying amounts of the identifiable assets and liabilities of the short-term insurance business as at the date of disposal were :

	2014 P'000	2013 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)	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
5. TRADE AND OTHER RECEIVABLES				
5.1 Insurance receivables				
Due from policyholders, agents and brokers	68,698	98,653	-	-
Due from reinsurers	7,302	19,786	-	-
	76,000	118,439	-	-
Other amounts receivables	123,529	120,238	2,998	1,251
	199,529	**238,677**	**2,998**	**1,251**
Trade receivables are non-interest bearing and are generally on 30 days terms. Other amounts receivable relates to fees receivable, commision advances and broker loans.				
The aging analysis of these receivables is as analysed below:				
Neither past due nor impaired	130,831	152,251	2,998	1,251
Past due but not impaired:	68,698	86,426	-	-
Less than 30 days	32,139	31,390	-	-
30 - 60 days	23,192	2,255	-	-
60 - 90 days	13,367	52,781	-	-
	199,529	238,677	2,998	1,251
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 2014 outstanding premiums with a nominal value of P9.7 million were reversed during the year. In 2013 P 1.8 million were impaired and fully provided for. Movements in the provision for impairment of outstanding premiums were as follows:				
At 1 January	12,374	10,574	-	-
Reversal of provision	(9,727)	-	-	-
Charge for the year	-	1,800	-	-
At 31 December	2,647	12,374	-	-
5.2 Deferred insurance acquisition costs				
Balance at the beginning of the year	2,051	465	-	-
Current year acquisition costs deferred	-	4,492	-	-
Amortisation	(2,051)	(2,906)	-	-
Balance at the end of the year	**-**	**2,051**	**-**	**-**
Deferred insurance acquisition costs are considered to be current assets.				
5.3 Reinsurance contract receivable				
Claims reported and loss adjustment	-	2,316	-	-
Unearned premium	-	3,669	-	-
	-	5,985	-	-
Total amounts due under reinsurance contracts are considered to be current				
Reconciliation of reinsurance unearned premium				
Opening balance	3,669	1,579	-	-
Total reinsurance premium	11,110	9,130	-	-
Earned premium	(10,596)	(7,040)	-	-
Transferred on disposal of General Lines	(4,183)	-	-	-
Balance at the end of the year	**-**	**3,669**	**-**	**-**

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
6. STATED CAPITAL				
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				
Foreign currency translation reserve				
Opening balance	67,322	45,378	-	-
Movement for the year	(596)	21,944	-	-
Balance at end of year	66,726	67,322	-	-
Consolidation reserve				
Opening balance	(62,464)	(91,795)	-	-
Transfer from retained earnings	(6,186)	21,952	-	-
Cost of shares disposed/(purchased)	(127)	16,189	-	-
Prior year adjustment	-	(8,810)	-	-
Balance at end of year	(68,777)	(62,464)	-	-
Number of shares held at 31 December:	5,975	5,921	-	-
Market price per share (Pula)	11.51	10.55	-	-
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	460	484	-	-
Opening balance	(77,041)	(88,311)	-	-
Cost of treasury shares (purchased)/disposed	(10)	1,324	-	-
Exercised employee shares	2,191	9,946	-	-
	(74,860)	(77,041)	-	-
Share based payment reserve				
Opening balance	83,048	76,800	5,377	3,955
Expense arising from equity-settled share-based payment transactions	10,415	6,248	2,719	1,422
	93,463	83,048	8,096	5,377
Statutory capital reserve				
Opening balance	733,883	640,706	9,762	9,762
Transfer (to)/from profit for the year	(203,609)	93,177	-	-
Prior year adjustments	-	-	-	-
	530,274	733,883	9,762	9,762

In accordance with the requirements of section 9 of the Botswana Insurance Industry Act (Chapter 46:01), 25% of the annual after-tax income of those subsidiaries registered under the Act is transferred to the Statutory Capital Reserve. This reserve can be utilised at a minimum of five years to increase the paid up stated capital of the respective subsidiary companies. In the current year Botswana Life was given a dispensation to transfer part of the reserves to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
7. NON-DISTRIBUTABLE RESERVES (CONTINUED)				
Solvency reserve				
Opening balance	946	946	-	-
Transfer from profit for the year	-	-	-	-
Prior year adjustment	-	-	-	-
	946	946	-	-
The general insurance company maintains a statutory solvency reserve as required by Section 11 of the Insurance Industry Act of Botswana. In accordance with the Act, the company transfers every year, before any dividend is declared, a sum equivalent to 10% of gross profits or, where the transfer of 10% of its gross profits would result in the total sum in the reserve exceeding 25% of gross premiums received in the previous financial year, so much as is necessary to raise the total sum in the reserves to a sum equivalent to 25% of the gross premiums received in the previous financial year. The statutory solvency reserve can neither be reduced nor encumbered provided that the Registrar of Insurance may by notice in writing to the company specify circumstances in which it may be reduced or encumbered.The entity is not required to make the transfer in the event of losses as is the case for the current year and preceding period.				
Total non-distributable reserves	**547,772**	**745,694**	**17,858**	**15,139**
8. POLICYHOLDER LIABILITIES				
8.1 Analysis of movement in policy liabilities life insurance contracts				
Income	**2,483,541**	**2,942,838**	-	**-**
Premium income	1,970,392	1,850,283	-	-
Investment return	513,149	1,092,555	-	-
Outflow	**(1,938,582)**	**(1,725,201)**	-	**-**
Policy benefits	(1,173,806)	(1,038,325)	-	-
Fees, risk premiums and other payments to shareholders' fund	(764,776)	(686,876)	-	-
Net movement for the year	**544,959**	**1,217,637**	-	**-**
Balance at beginning of the year	6,809,709	5,592,072	-	-
Balance at end of the year	**7,354,668**	**6,809,709**	-	**-**
Investment contracts				
Balance at the beginning of the year	4,313,530	7,374,142	-	-
Pension and investment contributions	622,181	622,040	-	-
Net investment return	205,052	1,719,987	-	-
Benefits paid and withdrawals	(853,733)	(5,402,639)	-	-
Balance at end of the year	**4,287,030**	**4,313,530**	**-**	**-**
Total policyholder liabilities	**11,641,698**	**11,123,239**	-	**-**
Off balance sheet segregated funds	**17,261,476**	**15,993,266**	-	**-**

Segregated funds are excluded from investments and liabilities under investment management contracts on the balance sheet.

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
8.2 Analysis of premium income				
Individual business	**1,541,204**	**1,456,058**	-	-
Recurring	847,786	800,160	-	-
Single	693,418	655,898	-	-
Employee benefits business	**406,869**	**388,185**	-	-
Recurring	95,263	90,315	-	-
Single	311,606	297,870	-	-
Non life insurance	**38,610**	**33,783**		
Total premium income	**1,986,683**	**1,878,026**	-	-
8.3 Composition of policy liabilities under investment contracts				
Individual business				
Linked and market-related liabilities	4,287,030	4,313,530	-	-
Composition of policy liabilities under insurance contracts				
Individual business	**6,959,191**	**6,449,636**	-	-
Linked and market-related liabilities	2,005,343	1,959,424	-	-
Stable bonus fund	48,602	48,122	-	-
Reversionary bonus policies	49,860	52,697	-	-
Non-participating annuities	4,801,976	4,318,265	-	-
Other non-participating liabilities	53,410	71,128	-	-
Employee benefits business	**395,477**	**360,073**	-	
Other non-participating liabilities	395,477	360,073	-	-
Total policy liabilities	**11,641,698**	**11,123,239**	-	-

8.4 Maturity analysis of policy holder liabilities

	On demand P'000	< 1 year P'000	1-5 years P'000	>5 years P'000	open ended P'000	Total P'000
2014						
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. POLICYHOLDER LIABILITIES (CONTINUED)

8.4 Maturity analysis of policy holder liabilities (continued)

	On demand P'000	< 1 year P'000	1-5 years P'000	>5 years P'000	open ended P'000	Total P'000
2013						
Maturity analysis of policy holder liabilities under investment contracts						
Linked and market-related liabilities	4,313,530	-	-	-	-	4,313,530
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	85,984	631,515	1,241,925	-	1,959,424
Smoothed bonus business	-	3,247	27,307	9,573	7,993	48,120
Guaranteed business	-	7,685	22,243	22,770	-	52,698
Annuities - guaranteed	-	1,903	29,663	42,171	4,250,652	4,324,389
Annuities - participating	-	-	-	-	50,669	50,669
Non participating risk business	-	-	360,222	14,187	-	374,409
Total	**4,313,530**	**98,819**	**1,070,950**	**1,330,626**	**4,309,314**	**11,123,239**

8.5 Policy liabilities include the following:

	2014	2013
HIV/Aids reserve	33,921	26,061
Asset mismatch reserve	91,435	82,431

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	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
8.6 Reinsurance Assets				
Balance at the beginning of the year	6,124	9,041	-	-
Movement in reinsurer's share of insurance contract liabilities	(2,396)	(2,917)	-	-
Balance at end of the year	**3,728**	**6,124**	**-**	**-**
8.7 Movement in life insurance contract liability				
Change in policyholder liabilities under insurance contracts	544,959	1,217,637	-	-
Change in contract liabilities ceded to reinsurers	2,396	2,917	-	-
Movement in the income statement	**547,355**	**1,220,554**	**-**	**-**

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000

9. NON -CONTROLLING INTERESTS

Balance at beginning of the year	34,912	33,651	-	-
Share of profit	6,108	2,273	-	-
Dividend payment	(1,983)	(1,012)	-	-
Currency translation difference	(2,599)	-	-	-
Diposal of minority	(17,869)	-	-	-
Balance at end of the year	**18,569**	**34,912**	**-**	**-**

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

Name	Country of incorporation and operations	2014 %	2013 %
Quantum Zambia (Pty) Ltd	Zambia	-	30.10
Kgolo Ya Sechaba (KYS)	Botswana	37.10	37.10
Private Property Botswana (PPB)	Botswana	26.00	26.00

Accumulated balances of material non-controlling interest:	**P'000**	**P'000**
Quantum Zambia (Pty) Ltd	-	21,320
Kgolo Ya Sechaba (KYS)	13,653	9,469
Private Property Botswana (PPB)	4,917	4,123
	18,570	34,912

Profit/(loss) allocated to material non-controlling interest:		
Quantum Zambia (Pty) Ltd	-	1,432
Kgolo Ya Sechaba (KYS)	6,383	504
Private Property Botswana (PPB)	(275)	336
	6,108	2,272

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

	Quantum Zambia (Pty) Ltd P'000	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised Profit or loss for 2014			
Revenue	-	17,895	524
Cost of sales	-	-	-
Administrative expenses	-	(331)	(324)
Finance costs	-	-	-
Profit before tax	**-**	**17,564**	**200**
Income tax	-	(360)	(1,258)
Profit for the year from continuing operations	**-**	**17,204**	**(1,058)**
Total comprehensive income	**-**	**17,204**	**(1,058)**
Attributable to non controlling interests	-	6,383	(275)
Dividends paid to non controlling interests	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

9. NON -CONTROLLING INTERESTS (CONTINUED)

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

	Quantum Zambia (Pty) Ltd P'000	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised Profit or loss for 2013			
Revenue	10,290	2,081	1,197
Cost of sales	-	-	-
Administrative expenses	(4,131)	(339)	(161)
Finance costs	(639)	-	-
Profit before tax	**5,520**	**1,742**	**1,036**
Income tax	(748)	(383)	256
Profit for the year from continuing operations	**4,772**	**1,359**	**1,292**
Total comprehensive income	**4,772**	**1,359**	**1,292**
Attributable to non controlling interests	1,432	504	336
Dividends paid to non controlling interests	2,862	-	-
Summarised statement of financial position as at 31 December 2014			
Trade receivables and cash and bank balances (current)	-	3,827	1,661
Property 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 statement of financial position as at 31 December 2013			
Trade receivables and cash and bank balances (current)	12,532	9,847	775
Property and equipment and other non-current financial assets (non- current)	55,731	27,717	35,800
Trade and other payable (current)	1,798	(150)	(6,007)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(3,028)	-	(14,567)
Total equity	**67,033**	**37,414**	**16,001**
Attributable to:			
Equity holders of parent	45,713	27,945	11,878
Non-controlling interests	21,320	9,469	4,123
Summarised cash flow information for year ending 31 December 2014:			
Operating	-	70	2,075
Investing	-	-	-
Financing	-	-	(2,052)
Net increase/(decrease) in cash and cash equivalents	**-**	**70**	**23**
Summarised cash flow information for year ending 31 December 2013:			
Operating	(6,852)	544	382
Investing	8,659	-	-
Financing	(527)	-	(244)
Net increase/(decrease) in cash and cash equivalents	**1,280**	**544**	**138**

	GROUP					
	Deferred tax asset 2014 P'000	Deferred tax liability 2014 P'000	Profit or loss 2014 P'000	Deferred tax asset 2013 P'000	Deferred tax tax asset 2013 P'000	Profit or loss 2013 P'000

10. DEFERRED TAX

Deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

	Deferred tax asset 2014 P'000	Deferred tax liability 2014 P'000	Profit or loss 2014 P'000	Deferred tax asset 2013 P'000	Deferred tax tax asset 2013 P'000	Profit or loss 2013 P'000
Balance at the beginning of the year	2,344	(23,790)	-	190	(17,939)	-
Charge to the income statement	971	(11,808)	(10,837)	-	(6,011)	(6,011)
Prior year adjustments	(2,820)	2,389	-	2,154	160	-
Balance at end of the year	**495**	**(33,209)**	**(10,837)**	**2,344**	**(23,790)**	**(6,011)**
Representing:						
Accelerated depreciation for tax purposes	4,415	(3,372)	2,282	190	(1,955)	(2,403)
Unrealised gains on shareholders' investments	(1,268)	(32,226)	8,517	-	24,535	8,521
Policy loan impairment	-	-	-	-	1,114	-
Prior year adjustments	(2,820)	2,389	-	2,154	160	-
Deferred lease	168	-	38	-	(64)	(107)

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.

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000

11. TRADE AND OTHER PAYABLES

	GROUP 2014 P'000	GROUP 2013 P'000	COMPANY 2014 P'000	COMPANY 2013 P'000
Insurance payables				
Due to agents and brokers	40,870	73,383	-	-
Due to reinsurers	10,383	8,014	-	-
Life Insurance claims payable	177,023	182,355	-	-
Life Insurance premiums received in advance	111,862	83,392	-	-
Other payables				
Other accounts payable	109,918	104,834	25,983	25,717
	450,056	**451,978**	**25,983**	**25,717**

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
- Intermediary retention balances are amounts held on behalf of brokers and agents and are released on the anniversary of the policy.

Other payables are non-interest bearing and have an average term of 90 days.
Other payables relates to payroll accruals - leave pay, bonuses and gratuity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
11. TRADE AND OTHER PAYABLES (CONTINUED)				
11.1 Non life insurance contracts liabilities				
Claims reported and loss adjustment expenses	3,123	6,269	-	-
Claims incurred but not reported	3,860	2,931	-	-
Unearned premium	-	13,540	-	-
Balance at the end of the year	6,983	22,740	-	-
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.				
11.2 Claims reported and loss adjustment expenses				
Balance at the beginning of the year	6,269	3,177	-	-
Current year provisions	11,042	5,894	-	-
Utilised in the current year	(11,775)	(2,802)	-	-
Transferred on disposal of General Lines	(2,413)	-	-	-
Balance at the end of the year	3,123	6,269	-	-
11.3 Claims incurred but not reported				
Balance at the beginning of the year	2,939	1,693	-	-
Current year provisions	3,876	2,939	-	-
Utilised in the current year	(1,516)	(1,693)	-	-
Transferred on disposal of General Lines	(1,430)	-	-	-
Balance at the end of year	3,869	2,939	-	-
11.4 Unearned premium				
Balance at the beginning of the year	13,540	4,083	-	-
Premiums raised during the year	16,899	25,420	-	-
Premiums utilised during the year	(16,122)	(15,963)	-	-
Transferred on disposal of General Lines	(14,317)	-	-	-
Balance at the end of year	-	13,540	-	-
11.5 Deferred reinsurance acquisition revenue				
Balance at the beginning of the year	1,419	323	-	-
Reinsurance commission	1,379	2,493	-	-
Utilised during the year	(1,089)	(1,397)	-	-
Transferred on disposal of General Lines	(1,709)	-	-	-
Balance at the end of year	-	1,419	-	-

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
12. PREMIUM REVENUE				
Life Insurance				
Individual life	1,541,204	1,456,058	-	-
Gross premium	1,550,174	1,456,185	-	-
- Recurring premium	856,756	800,287	-	-
- Single	693,418	655,898	-	-
Premium ceded to reinsurers	(8,970)	(127)	-	-
Group and employee benefits	406,869	388,185	-	-
Gross premium	420,218	394,097	-	-
- Recurring premium	95,263	90,315	-	-
- Single	324,955	303,782	-	-
Premium ceded to reinsurers	(13,349)	(5,912)	-	-
Non - life insurance				
Insurance contracts				
Gross insurance premium revenue	38,610	33,783	-	-
			-	-
Total non-life premium revenue	38,610	33,783		
	1,986,683	**1,878,026**	**-**	**-**

13. INVESTMENT INCOME

	GROUP 2014 P'000	GROUP 2013 P'000	COMPANY 2014 P'000	COMPANY 2013 P'000
Shareholders' investment income				
Interest income in financial assets at fair value through profit or loss	16,848	14,245	-	-
Cash and cash equivalents interest income	9,097	19,873	89	190
Rental income on investment properties	11,664	11,921	-	-
Other income	-	-	-	-
Dividends	6,474	4,561	424,583	98,375
Investment management fees	(5,548)	(5,271)	-	-
	38,535	45,329	424,672	98,565
Policyholders' investment income				
(i) Policyholder insurance contracts				
Interest income in financial assets at fair value through profit or loss	394,202	352,492	-	-
Rental income on investment properties	9,528	7,429	-	-
Dividends	35,367	49,482	-	-
Investment management fees	(36,220)	(38,822)	-	-
	402,877	370,581	-	-
(ii) Policyholder investment contracts				
Interest income in financial assets at fair value through profit or loss	402,171	66,822	-	-
Rental income on investment properties	16,791	20,923	-	-
Dividends	112,195	91,201	-	-
	531,157	178,946	-	-
Total Policyholder's investment income	934,034	549,527	-	-
Total Investment income	**972,569**	**594,856**	**424,672**	**98,565**

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

	GROUP 2014 P'000	GROUP 2013 P'000	COMPANY 2014 P'000	COMPANY 2013 P'000
Shareholder				
Fair value gains on investments	58,941	71,056	-	-
Foreign exchange (losses)/gains	(4,121)	9,056	-	-
	54,820	**80,112**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP 2014 P'000	GROUP 2013 P'000	COMPANY 2014 P'000	COMPANY 2013 P'000
13. INVESTMENT INCOME (CONTINUED)				
13.1 Net (losses)/gains from financial assets held at fair value through profit or loss (continued)				
Policyholders' net gain from financial assets held at fair value through profit or loss				
(i) insurance contracts				
Fair value gains on investments	(14,283)	609,511	-	-
Foreign exchange gains	124,555	112,463	-	-
	110,272	721,974	-	-
(ii) investment contracts				
Fair value gains on investments	(326,105)	1,541,041	-	-
	(326,105)	1,541,041	-	-
Total Policyholder net gains from financial assets held at fair value through profit or loss	(215,833)	2,263,015	-	-
Total net gains from financial assets held at fair value through profit or loss	**(161,013)**	**2,343,127**	**-**	**-**
14. NET INSURANCE BENEFITS AND CLAIMS				
Life insurance contracts				
Individual life				
Death and disability claims	129,464	128,736	-	-
Maturity claims	254,780	157,243	-	-
Policy surrenders	183,953	221,013	-	-
Annuities	379,905	337,637	-	-
Reinsurance share on death and disability claims	(761)	1,741	-	-
Total individual life	947,341	846,370	-	-
Group and employee benefits				
Death and disability claims	235,692	197,376	-	-
Reinsurance share on death and disability claims	(9,227)	(5,421)	-	-
Total group and employee benefits	226,465	191,955	-	-
Total net insurance claims and benefits under life insurance contracts	1,173,806	1,038,325	-	-
Non-life insurance contracts				
Gross claims	18,588	16,202	-	-
Total net insurance benefits and claims under non- life insurance contracts	18,588	16,202	-	-
Total net insurance benefits and claims	**1,192,394**	**1,054,527**	**-**	**-**

	GROUP		COMPANY	
	2014 P'000	**2013 P'000**	**2014 P'000**	**2013 P'000**

15. ADMINISTRATION EXPENSES INCLUDE:

Auditors' remuneration				
- audit fee current period	5,978	4,481	511	486
- other services	815	1,315	-	-
Depreciation on property, plant and equipment (note 2)	6,749	4,458	1,886	640
Amortisation of computer software (note 3)	7,678	8,307	1,986	1,940
Directors' fees				
- for services as directors	1,971	3,114	1,786	1,353
- for managerial services	3,305	4,726	3,305	4,726
- pension contribution	495	450	495	450
Operating lease rentals	15,264	14,702	808	795
Staff costs				
Salaries and wages for administration staff	148,709	128,066	15,165	9,385
Pension costs	10,938	10,045	1,790	1,491
Share based payment	10,415	6,248	2,694	1,422
CSP	10,175	5,810	2,678	1,329
SOS	39	236	16	93
- for managers	201	202	-	-
Total staff costs	170,062	144,359	19,649	12,298
Average number of employees	360	380	20	28

16. TAXATION

Current tax	(94,432)	(81,340)	(714)	695
Deferred tax	(10,837)	(6,011)	-	-
Withholding tax on dividends	-	-	(16,232)	(7,378)
Capital gains tax	(2,226)	2,730	-	-
Tax charge	**(107,495)**	**(84,621)**	**(16,946)**	**(6,683)**

Tax reconciliation

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

Profit before tax	626,958	485,331	338,096	48,464
Tax calculated at a tax rate of 22%	137,931	127,469	74,381	10,662
Expenses not deductible for tax	1,282	15,069	19,203	3,792
Different tax on offshore dividends	-	29	-	-
Income not subject to tax	(29,491)	(60,676)	(60,406)	(393)
Withholding tax on dividends	-	-	(16,232)	(7,378)
Capital gains tax	(2,226)	2,730	-	-
Tax charge	107,495	84,621	16,946	6,683

16.1 Tax Paid

Opening balances	**(25,751)**	(10,155)	(2,969)	638
Charge for the year	96,658	78,610	16,946	6,683
Closing balance	(16,903)	25,751	1,393	2,969
Tax paid	**54,004**	**94,206**	**15,370**	**10,290**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP	
	2014 P'000	2013 P'000

17. EARNINGS PER SHARE

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.

	2014 P'000	2013 P'000
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings - Continued operations	513,355	496,431
Net loss attributable to ordinary equity holders of the parent for basic earnings and diluted earnings - Discontinued operations	(13,818)	(3,931)
Number of shares in issue	281,071	281,071
Staff share scheme and treasury shares	(8,025)	(11,291)
Weighted average number of shares used for calculating basic earnings per share	273,046	269,780
Weighted number of dilutive options	3,512	2,140
Weighted average number of shares used for calculating diluted earnings per share	276,558	271,920
Earnings per share (thebe)		
- basic	183	183
- diluted	181	181
Earnings per share (thebe) for continuing operations		
- Basic	188	184
- Diluted	186	183

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 YEAR (NET)

	Record date	P'000
Declared and paid during the year:		
Final dividend for the year to 31 December 2013:35 thebe (2012: 20 thebe)	11-Apr-2014	98,375
Interim dividend for six months to 30 June 2014: 42 thebe (2013: 15 thebe)	18-Oct-2014	118,050
		216,425
Dividend proposed after year end not recognised in the financial statements:		
Final dividend for the year to 31 December 2014: 45 thebe (2013: 35 thebe)	17-Apr-2015	126,482
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December)		126,482
Withholding tax on dividends		(9,486)
Dividend proposed for approval at AGM (After withholding tax - not recognised as liability at 31 December)		116,996

19. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of Botswana Insurance Holdings Limited, subsidiaries, associates and the joint venture as listed in the following table:

Principal subsidiaries	Country of incorporation	% of interest	% of interest held	Nature of business
		2014	2013	
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
Regetta Investments (Pty) Ltd	Botswana	100	100	Dormant
BIHL Legal Guard (Pty) Ltd	Botswana	100	100	Dormant
BIHL Insurance Company Limited	Botswana	100	100	Short term insurance
BIHL Trust	Botswana	N/A	N/A	Corporate Social Investment
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
Quantum Assets Zambia Limited	Zambia	-	100	Asset management
Bifm Projects (Pty) Limited	Botswana	100	100	Dormant
KYS Investments (Pty) Limited	Botswana	63	63	Holding company
Photon Private Equity Fund Managers (Pty) Limited:	Botswana	100	100	Dormant

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 sold a 21% interest in Quantum Assets Zambia Limited. The Group's interest in associates and joint venture is disclosed in note 4.5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
19. RELATED PARTY DISCLOSURES (CONTINUED)				
19.1 Related party transactions				
Transactions on insurance contracts (Expense)/Income				
i) Sanlam Emerging Markets (SEM) (58% shareholder of BIHL)				
- Premium ceded to reinsurer	(2,844)	(4,539)	-	-
- Claim recoveries from reinsurer	2,855	3,563	-	-
- Recoveries and other	9,196	8,781	-	-
ii) Letshego Holdings Limited (Associate company of BIHL)				
Credit life income	115,784	114,733	-	-
Claims paid	(108,494)	(89,755)	-	-
Dividends received	54,799	38,406	-	-
iii) Funeral Services Group Limited (FSG) (Associate company of BIHL)				
Share of income	6,226	884	-	-
Dividends received	4,939	3,549	-	-
iv) Aflife Zambia (Associate company of Bifm Holdings Ltd)				
Technical fees	4,791	4,228	-	-
Loans to associates				
Plot 21	-	290	-	-
Bongwe	-	764	-	-

Terms and conditions of the loans

- The loan to Plot 21 is unsecured and repayable over 6 years. The interest interest is charged at 15%. The loan was settled during the year.
- The loan to Bongwe is unsecured and repayable over 5 years. The interest interest is charged at 9%. The loan was settled during the year.

	GROUP 2014 P'000	GROUP 2013 P'000	COMPANY 2014 P'000	COMPANY 2013 P'000
Summary of transactions with related parties				
Shared expenses				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	15,083	15,777
- BIFM(100% owned by BIHL)	-	-	5,097	4,937
- BIHL Unit Trusts (100% owned by BIHL)	-	-	194	11
- BIHL Trust (CSI)	-	-	127	9
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	3,797	5,539
Dividends received				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	165,909	60,375
- BIFM(100% owned by BIHL)	-	-	46,466	38,000
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	212,209	-

Year end balances arising from transactions on other services other than insurance contracts

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000
Amount receivable/(payable)				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	(988)	(160,164)
- BIFM(100% owned by BIHL)	-	-	6,792	(416)
- BIHL Unit Trusts (100% owned by BIHL)	-	-	2,705	2,488
- Genebase Holdings (Pty) Limited (100% owned by BIHL)	-	-	-	-
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	1,503	1,791
- BIHL Trust (CSI)	-	-	443	239
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	5,007	3,197
- Sanlam Emerging Markets (SEM) (58% shareholder of BIHL)	(4)	3,041	-	-
	(4)	3,041	15,462	(152,865)
Year end balances arising from transactions on insurance contracts.				
Net due to				
- Sanlam Emerging Markets (SEM)	-	-	-	-

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 2014, the Group did not record an impairment of receivables relating to amounts owed by related parties (2013: P 19.5 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 2014 P'000	GROUP 2013 P'000	COMPANY 2014 P'000	COMPANY 2013 P'000
(i) Compensation of key management personnel of the Group				
- Short-term employee benefits	27,581	26,097	9,191	9,448
- Pension costs - defined contribution plans	1,471	1,683	322	353
- Share based payments	4,260	3,482	2,719	1,422
- Other long-term benefits	13,488	12,482	1,246	305
	46,800	**43,744**	**13,478**	**11,528**

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 2014

19. RELATED PARTY DISCLOSURES (CONTINUED)

19.1 Related party transactions (continued)

(ii) Directors' shareholding in Group

	No of shares
B Dambe-Groth	44,115
M Mpugwa	8,052
C Chauhan	75,020
G. Hassam	61,611
Total	**188,798**

(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

	Months of service	Salary P'000	Bonus P'000	Other Long term benefits P'000	Total P'000
2014					
Name					
G Hassam	12	2,200	1,600	-	3,800
Total executive directors		2,200	1,600	-	3,800
2013					
Name					
G Hassam	12	2,000	750	2,426	5,176
Total executive directors		2,000	750	2,426	5,176

(b) Long-term emoluments

Share purchase plans

Name	No. of options	No of grants - CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
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**	
2013							
G Hassam							
Granted 2010	87,492	34,664	10.48	(52,989)	-	69,167	2020
Granted 2011	-	22,009	-	-	-	22,009	2021
Granted 2012	-	113,904	-	-	-	113,904	2022
Granted 2013	-	44,744	-	-	-	44,744	2022
Total	**87,492**	**215,321**		**(52,989)**	**-**	**249,824**	

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.

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000

20. COMMITMENTS

Operating lease commitments
The future minimum lease payments under non-cancellable operating leases

	2014 P'000	2013 P'000	2014 P'000	2013 P'000
Within one year	16,064	13,560	2,006	2,041
Within two to five years	3,702	8,880	-	2,006

The operating lease is for buildings that the Group is renting for business purposes.

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 10.9 million (2013: P10 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 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 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 2014 is P21 million (31 December 2013: P 20.8 million). The expense recognised in the income statement is P201,000 (2013: P202,000).

	2014		2013	
Movement during the year	**Number of share options '000**	**Weighted average exercise price Pula**	**Number of share options '000**	**Weighted average exercise price Pula**
Outstanding at the beginning	733	16.53	1,425	7.44
Granted	-	-	-	-
Forfeited	-	-	(450)	16.90
Exercised	-	-	(242)	8.53
Outstanding at the end of year	733	16.53	733	16.53
Exercisable at 31 December	550	16.90	550	16.90

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

21. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payment (continued)

(i) Management Staff scheme (continued)

Price (Pula)	Number of options outstanding
8.70	33,333
16.90	700,000
	733,333

The weighted average remaining contractual life for the shares outstanding as at 31 December 2014 is 4 years (2013: 5 years)

There were no new grants during the year. (2013: NIL)
The range of exercise prices for options outstanding at the end of the year was P8.70 -P16.90 (2013: P8.70 -P16.90).

(ii) Other Staff

Staff are granted share options after a period of 2 continuous years of service to the group. The share options vest after a period of 3 years of continuous service from the grant date; therefore the employee has to be continuously employed with the group for 5 years before the shares vest. Staff do not pay for the share options. As the settlement is by way of shares, the scheme is classified as equity settled for accounting purposes. The carrying amount of the share based payment reserve was P42.1 million (2013: P42.1 million). The expense recognised in the income statement was PNIL (2013: PNIL).

	2014		2013	
Movement during the year	Number of share options '000	Weighted average exercise price Pula	Number of share options '000	Weighted average exercise price Pula
Outstanding at the beginning	-	-	603	9.85
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(603)	8.70
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 continuos service from the grant date. 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 shares are issued at the ruling market price on the date of the grant. The subsidiaries account for the awards as cash settled while the Holding Company accounts 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 2014 is P 2.2 million (31 December 2013: P2.2 million). The expense recognised in the income statement is P39,263 (2013: P 236,000).

Movement during the year	2014 Number of share options '000	2014 Weighted average exercise price Pula	2013 Number of share options '000	2013 Weighted average exercise price Pula
Outstanding at the beginning	818	10.77	1,046	10.77
Granted	-	-	-	-
Forfeited	(5)	11.75	(70)	10.25
Exercised	(41)	11.75	(158)	-
Outstanding at the end of year	772	10.71	818	10.77
Exercisable at 31 December	772	10.71	458	10.11

The were no options granted during the year (2013: PNIL). The weighted average value of options granted during the year was PNIL(2013: PNIL)

The weighted average remaining contractual life for the shares outstanding as at 31 December 2014 is 6 years (2013: 7 years)

The range of exercise prices for options outstanding at the end of the year was P8.50 - P11.75 (2013: P8.50 - P11.75)

(b) Conditional Share Plan (CSP)

The purpose of the plan is to recognise contributions made by selected employees and to provide 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 performance scorecards over the stated three years. BIHL grants the employees the right to obtain shares in BIHL. The employer companies will, however, remain responsible to fund the procurement and settlement of shares issued to its employees in terms of the scheme at the time the shares are so procured.The subsidiaries account for the awards as cash settled while the Holding Company accounts for the awards as equity settled.

The amount carried in the share based reserve at 31 December 2014 is P22.5 million (31 December 2013: P12.2 million). The expense recognised in the income statement is P10.3 million (2013: P5.8 million).

Movement during the year	2014 Number of grants '000	2014 Weighted average fair value price at grant/ exercise date Pula	2013 Number of grants '000	2013 Weighted average fair value price at grant/ exercise date Pula
Outstanding at the beginning	2,140	10.35	1,186	10.32
Granted	1,868	10.55	1,294	10.36
Forfeited	(235)	10.32	(53)	9.08
Exercised	(262)	10.65	(287)	10.54
Outstanding at the end of year	3,511	10.44	2,140	10.35

The weighted average remaining contractual life for the grants outstanding as at 31 December 2014 is 3 years (2013: 3 years)

The number of Conditional shares granted during the year was 1,868,475 (2013: 1,294,424).

The weighted average fair value of grants granted during the year was P10.55 (2013: P10.36)

The exercise prices for options outstanding at the end of the year was P10.44 (2013: P 10.35).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

21. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payment (continued)

The following assumptions have been used in the valuations model of the scheme:

	2014 P'000	2013 P'000
Dividend yield	4.49%	4.77%
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price (thebe)	11.51	10.35
Weighted average share price (Pula)	10.55	10.36
% of remaining employees	80.00%	80.00%

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option-pricing model. In terms of best practice, we have adopted a modified binomial tree model for valuation purposes, which can be described, at a high-level, as follows:

i) The life of the option is divided into a large number of small time periods.

ii) A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.

iii) Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.

iv) For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date.

v) Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, and taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with valuation date) is calculated. This represents the fair value of the option.

Other inputs used

Generally, there are seven variables that determine the price of an employee share option:
i)The market price of the underlying share at the grant date;
ii) The strike price of the option;
iii) The time remaining until the option expires (i.e. the expiry date of the option);
iv) The time remaining until the option vests;
v) The expected dividend yield of the underlying share over the life of the option;
vi) The expected volatility of the underlying share over the life of the option; and
vii) The risk-free interest rate over the life of the option.

Volatility

The volatility input to the pricing model is a measure of the expected price fluctuations of the underlying security over a given period of time. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. This is in line with market practice. All else being equal, the more volatile the underlying share, the greater the price of the option.

There are two common approaches to calculating volatility. The first method uses historical price data of the underlying share, while the second technique employs data from the options market itself (provided that an active market exists for the options under consideration). Because there are no options trading in the market that are similar to the BIHL share options, historical data from a period prior to each grant date, which is commensurate with the options' contractual term to maturity, was used to calculate the expected volatility of the BIHL shares over the options' lifetimes.

	GROUP		COMPANY	
	2014 P'000	2013 P'000	2014 P'000	2013 P'000

22. CASH GENERATED FROM OPERATIONS

	2014 P'000	2013 P'000	2014 P'000	2013 P'000
Profit before tax from continuing operations	626,958	583,325	338,096	48,464
Loss from discontinued operations	(13,818)	(3,931)	-	-
Non cash flow items	(321,566)	(2,536,411)	71,786	37,062
Loss on sale of subsidiary	15,878	-	-	-
Profit on sale of short term business	(932)	-	-	-
Loss on sale of property and equipment	-	3	-	-
Impairment of goodwill	20,160	-	-	-
Depreciation	6,749	4,458	1,886	640
Amortisation and impairment	13,852	8,307	1,986	1,940
Impairment of investment in subsidiaries	-	-	65,195	33,060
Unrealised fair value gains on shareholder assets	(54,820)	(80,112)	-	-
Net gains from financial assets held at fair value through profit or loss	(106,193)	(2,263,015)	-	-
Unrealised fair value losses/(gains) on investment properties	26,943	(23,098)	-	-
Equity-accounted earnings	(253,618)	(189,202)	-	-
Share - based payments	10,415	6,248	2,719	1,422
Items disclosed separately	(546,785)	(598,931)	(408,440)	(91,187)
Interest received	(428,116)	(453,687)	(89)	(190)
Dividends received	(118,669)	(145,244)	(408,351)	(90,997)
Working capital changes:	545,904	(1,871,365)	(169,808)	38,306
Net increase/(decrease) in trade and other receivables	47,184	(61,640)	(10,482)	4,086
Change in policyholder liabilities	518,459	(1,842,977)	-	-
Decrease in reinsurance assets	2,396	2,917	-	-
Net increase /(decrease) in trade and other payables	(22,135)	30,335	(159,326)	34,220
Cash generated from / (utilised in) operations	**290,693**	**(4,427,313)**	**(168,367)**	**32,645**

Refer to note 4.7 for restatement note

23. CASH AND BANK

	2014 P'000	2013 P'000	2014 P'000	2013 P'000
Cash and bank	101,391	119,936	23,258	5,902
Funds on deposit	557,077	460,738	-	-
Cash and cash equivalents	**658,468**	**580,674**	**23,258**	**5,902**

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 4.25% (2013: 3.5%). Funds on deposit have a maturity of three months or less.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

24.2 Market risk

The Group is exposed to financial risk, credit risk and liquidity risk on shareholder financial instruments as well as finanical 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 (P000)**	**Increase / (decrease) in profit before tax (P000)**	**Increase / (decrease) in equity (P000)**
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)
2013				
BWP	0.5%	220,933	1,105	862
BWP	-0.5%	220,933	(1,105)	(862)
USD	0.5%	83,697	418	326
USD	-0.5%	83,697	(418)	(326)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RISK MANAGEMENT (CONTINUED)

24.3 Interest rate risk (continued)

	COMPANY			
	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / Increase / (decrease) in equity (P000)
2014				
BWP	0.5%	23,258	116	90
BWP	-0.5%	23,258	(116)	(90)
2013				
BWP	0.5%	5,902	30	23
BWP	-0.5%	5,902	(30)	(23)

Fair value sensitivities

	GROUP			
	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2014				
BWP	0.5%	125,429	627	489
BWP	-0.5%	125,429	(627)	(489)
2013				
BWP	0.5%	131,981	660	515
BWP	-0.5%	131,981	(660)	(515)

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 P000	Other currencies P000	Total P000
2014			
Equity instruments	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	-	

	United States Dollar P000	Other currencies P000	Total P000
2013			
Equity investments	4,547,454	-	4,547,454
Money market instruments	150,848	-	150,848
Bonds	355,795	-	355,795
Foreign currency exposure	5,054,097	-	5,054,097
Average rate	8.50	-	
Closing rate	8.98	-	

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).

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
2014				
USD	5%	4,822,836	241,142	188,091
USD	-5%	4,822,836	(241,142)	(188,091)
2013				
USD	5%	5,054,097	252,705	197,110
USD	-5%	5,054,097	(252,705)	(197,110)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RISK MANAGEMENT (CONTINUED)

24.5 Price risk (continued)

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
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
2013				
Botswana Stock Exchange	10%	5,557	556	434
Listed Property companies - Botswana	10%	705	71	55
World Equity Index	5%	73,290	3,665	2,859
Botswana Unit Trusts	10%	2,731	273	213
Total exposure		82,283	4,565	3,561

24.6 Credit risk

Credit risk in the Group arises from the possibility of investments in bonds, offshore money markets, long term reinsurance assets, insurance and other receivables, reinsurance contracts receivables,deferred insurance acquisition cost, local money markets,policy loans and other loans, related party recievables 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	
	2014 P'000	2013 P'000
Long term Reinsurance assets	3,728	6,124
Bonds - Government	2,547,119	2,183,434
- Corporate (listed, unlisted)	2,880,246	2,866,455
Money market instruments	110,991	143,262
Policy loans and other loan advances	421,517	482,259
Insurance and other receivables	199,529	238,677
Reinsurance contracts receivable	-	5,985
Deferred insurance acquisition cost	-	2,051
Cash, deposits and similar securities	658,468	580,674
Maximum credit risk exposure	**6,821,598**	**6,508,921**

	COMPANY	
	2014 P'000	2013 P'000
Other receivables	2,998	1,251
Related party balances	16,450	7,715
Cash, deposits and similar securities	23,258	5,902
Maximum credit risk exposure	**42,706**	**14,868**

Cash and cash equivalents are held by entities with acceptable credit ratings. Related party balances are considered to be of acceptable/ high credit quality due to the financial position of the counter-parties.

Financial assets pledged as collateral

There are no financial assets that have been pledged as collateral for financial liabilities or contingent liabilities.

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 (2013: A2 rating) for both foreign and domestic bonds. The A2 rating is based on the assessment that balances potential challenges associated with a country having a small size economy and middle-income status, against the strength relating to the country's sound policy framework and effectiveness of government. The assessment further noted that, consumer price inflation continues to be within the Bank of Botswana's medium-term policy objective of 3 – 6 percent.

As in previous years, Moody's noted that, given the healthy financial position and the stable political and financial environment, the risks that could put renewed pressure on the ratings are judged to be low.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RISK MANAGEMENT (CONTINUED)

24.6 Credit risk (continued)

	Foreign currency Pula equivalent	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	73,327	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	**73,327**	**6,748,271**	**2,547,119**	**4,274,479**	**6,821,598**
2013					
Long term Reinsurance assets	-	6,124	-	6,124	6,124
Government bonds	-	2,183,434	2,183,434	-	2,183,434
Corporate bonds and other	-	2,866,455	-	2,866,455	2,866,455
Money Markets	73,778	69,484	-	143,262	143,262
Policy loans and other loan advances	-	482,259	-	482,259	482,259
Insurance and other receivables	-	238,677	-	238,677	238,677
Reinsurance contracts receivable	-	5,985	-	5,985	5,985
Deferred insurance acquisition cost	-	2,051	-	2,051	2,051
Cash and bank balances	-	580,674	-	580,674	580,674
Total assets	**73,778**	**6,435,143**	**2,183,434**	**4,325,487**	**6,508,921**

None of the non rated assets are impaired as at 2014 and 2013 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. Related party balances are not impaired since the receivable is within the same group. 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	2014 Collateral held P'000	2014 Credit exposure P'000	2013 Collateral held P'000	2013 Credit exposure P'000
Botswana Building Society	-	-	-	11,758
ABC Holdings, RDC Properties	56,250	308,257	-	351,011
Botho Park	154,000	66,273	123,000	63,924
CA Sales & Distribution	60,000	56,024	60,000	73,573
Botswana Savings Bank	-	65,225	-	61,342
Choppies	100,000	39,500	160,000	42,117
RDC properties	-	98,136	-	50,573
Three Partners Resort	414,000	71,095	160,000	70,606
Stanbic Bank of Botswana	-	642,668	-	454,108
First National Bank of Botswana	-	254,953	-	190,044
Lonrho Hotels Botswana	30,000	35,556	-	33,721
Real People Investment Holdings	-	119,945	-	111,828
Allied Investments	150,000	136,659	100,000	84,665
Prime Time holdings	81,250	76,939	26,250	22,486
Standard bank	-	289,358	-	-
FAR property	1,250,000	114,848	-	-
Cash Bazaar Holdings	150,000	118,137	-	-
Botswana Postal Services	-	121,941	-	-
Flip coin	74,120	87,580	-	-
BIFM Offshore bond	-	377,745	-	319,487
Meybeernick Investment	-	432,694	-	419,866
BIFM Local Bond	-	31,599	-	-
Total	**2,519,620**	**3,545,132**	**629,250**	**2,361,109**

24.7 Liquidity risk

The liquidity risk arises from the potential inability of the Group paying its policy holders and short term creditors when they become due or they mature, because assets are not properly matched. There is an Actuarial committee and an Investment Committee that meet periodically to review the matching of assets and liabilities and other investment decisions; the Group is continually looking for investments that match its liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities are based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Assets maturities have been disclosed on the basis of contractual maturities.The disclosures are based on both shareholder and policyholder assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RISK MANAGEMENT (CONTINUED)

24.7 Liquidity risk (continued)

Maturity analysis of Financial assets and Financial Liabilities (continued):

GROUP P'000	< 1 year	1-5 years	>5 years	open ended	Total
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
Cash, deposits and similar securities	658,468	-	-	-	658,468
	1,260,079	**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**

Maturity analysis of Financial assets and Financial Liabilities:

	< 1 year	1-5 years	>5 years	open ended	Total
2013					
Financial Assets:					
Long term Reinsurance assets	4,531	1,592	-	-	6,123
Investments in unlisted property companies	-	-	-	190,796	190,796
Bonds (Government, public authority, listed & unlisted corporates)	85,072	1,010,709	3,860,790	-	4,956,571
Money market instruments	143,262	-	-	-	143,262
Equity investments	-	-	-	5,711,195	5,711,195
Policy loans and other loan advances	133,474	127,664	221,121	-	482,259
Related party balances	-	-	-	-	-
Insurance and other receivables	238,677	-	-	-	238,677
Reinsurance contracts receivable	5,985	-	-	-	5,985
Deferred insurance acquisition cost	2,051	-	-	-	2,051
Cash, deposits and similar securities	580,674	-	-	-	580,674
	1,193,726	**1,139,965**	**4,081,911**	**5,901,991**	**12,317,593**
Financial Liabilities:					
Policy holders liabilities					
-Insurance contracts	98,819	1,070,950	1,330,626	4,309,313	6,809,708
-Investment contracts	-	-	-	4,313,530	4,313,530
Related party balances	3,041	-	-	-	3,041
Insurance and other payables	451,978	-	-	-	451,978
Short term insurance contract liabilities	22,740	-	-	-	22,740
Deferred reinsurance acquisition revenue	1,419	-	-	-	1,419
	577,997	**1,070,950**	**1,330,626**	**8,622,843**	**11,602,416**

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.

P'000	< 1 year	1-5 years	>5 years	open ended	Total
COMPANY					
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
2013					
Financial Assets:					
Trade and other receivables	1,251	-	-	-	1,251
Related party balances	7,715	-	-	-	7,715
Cash, deposits and similar securities	5,902	-	-	-	5,902
	14,868	-	-	-	14,868
Financial Liabilities:					
Trade and other payables	25,717	-	-	-	25,717
Related party balances	160,580	-	-	-	160,580
	186,297	-	-	-	186,297

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.

P'000	Carrying value	< 1 year	1-5 years	>5 years	open ended	Total
GROUP						
2014						
Financial Assets:						
Long term Reinsurance assets	3,728	3,319	409	-	-	3,728
Investment in physical properties						
Investment in unlisted property companies	-	-	-	-	106,365	106,365
Bonds (Government, public authority, listed &	-	-	-	-	121,493	121,493
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	-	371,382
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RISK MANAGEMENT (CONTINUED)

24.7 Liquidity risk (continued)

Maturity analysis of Financial assets and Financial Liabilities: (continued)

P'000	Carrying value	< 1 year	1-5 years	>5 years	open ended	Total
GROUP						
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 acquistion revenue	-	-	-	-	-	-
Total undiscounted liabilities	**12,098,741**	**570,192**	**1,071,857**	**1,371,039**	**9,085,653**	**12,098,741**
2013						
Financial Assets:						
Long term Reinsurance assets	6,123	4,531	1,592	-	-	6,123
Investment in physical properties	-	-	-	-	109,885	109,885
Investment in unlisted property companies	-	-	-	-	190,796	190,796
Bonds (Government, public authority, listed & unlisted corporates)	5,049,888	264,888	1,884,498	2,874,756	-	5,024,142
Equity investments	-	-	-	-	5,711,195	5,711,195
Money market instruments	143,262	143,262	-	-	-	143,262
Policy loans and other loan advances	482,259	-	424,898	-	-	424,898
Related party balances	-	-	-	-	-	-
Insurance and other receivables	230,915	230,915	-	-	-	230,915
Reinsurance contracts recevable	5,985	5,985	-	-	-	5,985
Deferred insurance acquisition cost	2,051	2,051	-	-	-	2,051
Cash, deposits and similar securities	580,675	580,675	-	-	-	580,675
Total undiscounted assets	**6,501,158**	**1,232,307**	**2,310,988**	**2,874,756**	**6,011,876**	**12,429,927**
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	6,809,709	98,819	1,070,949	1,330,628	4,309,313	6,809,709
-Investment contracts	4,313,530	-	-	-	4,313,530	4,313,530
Related party balances	3,041	3,041	-	-	-	3,041
Insurance and other payables	451,978	451,978	-	-	-	451,978
Short term insurance contract liabilities	22,739	22,739	-	-	-	22,739
Deferred reinsurance acquistion revenue	1,419	1,419	-	-	-	1,419
Total undiscounted liabilities	**11,602,416**	**577,996**	**1,070,949**	**1,330,628**	**8,622,843**	**11,602,416**

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained through an actuarial modelling process.

24.8 Insurance risk

The principal risk the Group faces under non life insurance contracts is the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective 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 places 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 prior years, the company issued the following types of general insurance contracts: motor, fire, accident, engineering, farming, legal insurance contracts etc.

The table below shows the concentration of non-life insurance contract liabilities by type of contract.

Concentration of Non-life insurance contract liabilities

	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
2014			
Legal Insurance	6,983	-	6,983
Short- term	-	-	-
	6,983	-	6,983
2013			
Legal Insurance	2,700	-	2,700
Short - term	20,039	(930)	19,109
	22,739	(930)	21,809

Claims development history

The following tables shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive year at each reporting date.

Year	2014 P'000	2013 P'000	2012 P'000	2011 P'000
At the end of the year	18,588	21,412	15,434	7,917
IBNR	3,861	2,931	1,693	906
	22,449	24,343	17,127	8,823

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RISK MANAGEMENT (CONTINUED)

24.8 Insurance risk (continued)

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
2014				
Average claims cost	+ 3%	6,983	209	163
2013				
Average claims cost	+ 10%	24,159	2,044	1,594

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 2014:

	FAIR VALUE MEASUREMENT USING			
	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 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
31 December 2013				
Financial Assets				
Investment properties				
- Physical properties	-	-	109,885	109,885
- Investment in unlisted property companies	-	-	190,796	190,796
Bonds	2,203,828	-	2,846,060	5,049,888
Government	1,819,274	-	233,896	2,053,170
Corporate bonds - Listed and unlisted	384,554	-	2,612,164	2,996,718
Money market instruments	-	143,262	-	143,262
Equity investments	5,599,116	-	112,078	5,711,194
Policy loans	-	-	79,975	79,975
Other loan advances	-	-	402,284	402,284
	7,802,944	143,262	3,741,078	11,687,284
Financial Liabilities				
Investment contract liabilities	-	4,313,530	-	4,313,530
	-	4,313,530	-	4,313,530

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

25. FAIR VALUE DISCLOSURES (CONTINUED)

Level 2

Money Market instruments - Refer to note 4.1 on the how the fair value is determined.
Investment contract liabilities - Refer to note 4.1 on how the fair valuation is determined.

Level 3 valuation

Investment Properties - Refer to note 4.4 on how fair value is determined.
Bonds and money market instruments - 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 is 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 P'000	Investment in unlisted property companies P'000	Equity investments P'000	Other Policy loans P'000	loan advances P'000	Bonds P'000	Total Assets P'000
Level 3 Financial Assets							
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
31 December 2013							
Opening Balance	-	-	410,075	124,139	416,231	1,714,183	2,664,628
Adjusted due to IFRS 13	102,920	174,663	-	-	-	-	277,583
Total gains/(loss) in comprehensive income	6,965	16,133	(297,997)	16,529	(871)	102,456	(156,785)
Reclassifications	-	-	-	-	-	1,480,583	1,480,583
Acquisitions	-	-	-	29,830	-	-	29,830
Issues	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-
Settlements/Repayments	-	-	-	(90,523)	(13,076)	(451,162)	(554,761)
Closing balance	109,885	190,796	112,078	79,975	402,284	2,846,060	3,741,078

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

	2014 P'000	2013 P'000
Total gains or losses included in profit or loss for the period	71,522	(156,785)
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	31,389	11,654

There were no transfers from level 1 to level 2 fair value measurements during the year ended 31 December 2014 (31 December 2013: NIL).

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	Current unit price multiplied by the number of units held	n/a	Unit price
Money market instruments	3	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate (Refer to note 4.1)
Equity investments	3	Current unit price of underlying unitised financial asset, multiplied by the number of units held	n/a	Unit price
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	Current unit price of the underlying financial asset, multiplied by the number of units held	n/a	Unit price

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:

	Carrying amount P'000	Effect of a 10% increase in estimated cashflows P'000	Effect of a 10% decrease in estimated cashflows P'000	Effect of a 1% increase in capitalisation rate P'000	Effect of a 1% decrease in capitalisation rate P'000
Financial assets:					
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
2013					
Investment in physical properties	109,885	8,571	(8,571)	(8,791)	8,791
Investment in unlisted property companies	190,796	14,882	(14,882)	(15,264)	15,264

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

25. FAIR VALUE DISCLOSURES (CONTINUED)

	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 discount rate P'000	Effect of a 2% decrease in discount 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**
2013					
Policy loans	79,976	7,398	(7,398)	(1,248)	1,248
Other loan advances	402,283	20,114	(20,114)	(6,276)	6,276
Bonds	1,365,477	136,548	(136,548)	(21,301)	21,301
Total	**1,847,736**	**164,060**	**(164,060)**	**(28,825)**	**28,825**

	Carrying amount P'000	Effect of a 2% increase in unit price P'000	Effect of a 2% decrease in unit price P'000
2014			
Equity investments	74,095	1,156	(1,156)
2013			
Equity investments	112,078	1,748	(1,748)

Investment policy

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

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

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

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

Bifm adopts fundamental analysis to place a fair value on individual securities and to identify mispriced securities with upside potential. Fundamental analysis is a primary function and of high importance as it guides us on security-selection.
When selecting offshore managers, Bifm appoints managers with differing styles and approaches. The rationale for using the different styles reflects our appreciation of the fact that style diversification is a risk-management tool as well as a way of taking advantage of the anomalies that could be identified by each style.

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

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

(a) Long-dated Bonds - Bifm believes that value can be created through active duration management, taking into account macro-economic factors such as inflation and interest rates. This reflects a top-down approach for the management of bonds, which is applied both locally and offshore. Bifm utilises fixed and floating instruments as different assets to match different liabilities, to benefit from the shape of the yield curve, and as a tool to manage duration.
(b) Cash and money market: Bifm manages cash and short-dated money-market instruments primarily for liquidity purposes. Bifm minimises credit risk by investing with reputable banks. Bifm negotiates to get high interest rates on behalf of its clients.

Property - Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of Bifm's drive to develop the local economy and capital markets. Bifm's joint venture, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 liabilities 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	-	-	12,831,408
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 balances	-	-	-	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
31 December 2013					
Financial assets					
Bonds (Government, public authority, listed and unlisted corporates)	4,956,571	-	-	-	4,956,571
Money market instruments	143,262	-	-	-	143,262
Equity investments	5,711,195	-	-	-	5,711,195
Policy loans and other loan advances	482,259	-	-	-	482,259
Insurance and other receivables	-	238,677	-	-	238,677
Reinsurance contracts receivable	-	5,985	-	-	5,985
Deferred insurance acquisition cost	-	2,051	-	-	2,051
Cash, deposits and similar securities	-	580,674	-	-	580,674
Total financial assets	11,293,287	827,387	-	-	12,120,674
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	6,809,709	-	6,809,709
Long term policyholder liability -investment contracts	-	-	4,313,530	-	4,313,530
Related party payables	-	-	-	3,041	3,041
Insurance and other payables	-	-	-	451,978	451,978
Short term insurance contract liabilities	-	-	-	22,740	22,740
Deferred reinsurance acquisition revenue	-	-	-	1,419	1,419
Total financial liabilities	-	-	11,123,239	479,178	11,602,417

	COMPANY				
	Financial assets held at fair value through profit or loss P'000	Loans and receivables P'000	Financial liabilities 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					
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
31 December 2013					
Financial assets					
Trade and other receivables	-	1,251	-	-	1,251
Related party balances	-	7,715	-	-	7,715
Cash, deposits and similar securities	-	5,902	-	-	5,902
Total financial assets	-	14,868	-	-	14,868
Financial liabilities					
Trade and other payables	-	-	-	25,717	25,717
Related party payables	-	-	-	160,580	160,580
Total financial liabilities	-	-	-	186,297	186,297

27. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, BPOPF gave notice of termination of its asset management contract with BIFM that was partly offset by a new contract on a significantly reduced value of assets under management. The impact of these events will result in a net decrease in assets under management with approximately P9 billion and decrease in fee income of circa P28 million compared to 2014.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-fourth Annual General Meeting of Botswana Insurance Holdings Limited will be held at Gaborone Sun Conference Centre, Gaborone Botswana on 30 June 2015 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 2014, 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 19 August 2014 and 11 February 2015.

4. Ordinary Resolution 3: Appointment of directors
To re-elect the following Directors appointed to the Board as additional Directors in accordance with the provisions of the Articles of Associations of the Company, being eligible and offering themselves for re-election.
3.1 Gerrit van Heerde
3.2 Tertius Stears

Ordinary Resolution No 3.1: Appointment of G van Heerde as director

Gerrit van Heerde (47)
Non-Executive Director since 03 September 2014

Summary of work experience: Gerrit van Heerde is Chief Financial Officer of Sanlam Emerging Markets (Pty) Ltd. He joined Sanlam in 1993 and held various positions throughout the Group before being appointed to his current position in 2012.

Qualifications: B. Com degree from the University of the North West, an Honours degree from Stellenbosch University and an EDP from Manchester Business School. Fellow of the Institute and Faculty of Actuaries in the UK and of the Actuarial Society of South Africa.

BIHL committee membership: Audit and Risk

Field of expertise: Actuarial; Financial Markets and Investment and Risk Management

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.2: Appointment of T Stears as director

Tertius Stears (43)
Non-executive director since 11 August 2014

Summary of work experience: Tertius Stears is the Group CEO of Sanlam Namibia Holdings and is responsible for the strategic and overall management of the Group in Namibia. 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.

Qualifications: Associate member of The Chartered Institute of Management Accountants (CIMA), 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.

BIHL committee membership: Human Resources

Major external positions, directorships or associations: Chairman of LAAN

Field of expertise: Financial Management; General Business, Financial Markets and Investment and Risk Management

The Board recommends the re-election of this Director.

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

4.1 Mr. John Hinchliffe
4.2 Mr. Mahube Mpugwa
4.3 Mr. Gaffar Hassam

Ordinary Resolution No 4.1 – Re-election of J Hinchliffe as Director
To re-elect J Hinchliffe who retires by rotation in terms of Articles of Associations of the Company, being eligible and offering himself for re-election.

J Hinchliffe (58)
Independent Non-Executive Director since 2010

Qualifications: BA (Econ) Hons (Manchester University), FCA (England & Wales) FCA (BICA): Fellow of the Institute of Chartered Accountants in England and Wales.

BIHL committee membership: Audit and Risk, Independent Review

Major external positions, directorships or associations: DCDM Consulting (Pty) Limited; Nsenya (Pty) Limited; Portion 84 Mokolodi Sanctuary (Pty) Limited; Mokolodi Utilities (Pty) Limited; Kalahari Conservation Society; and Camphill Community Trust

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 M Mpugwa as Director
To re-elect M Mpugwa who retires by rotation in terms of the Articles of Associations of the Company, being eligible and offering himself for re-election.

M Mpugwa (47)
Independent Non-Executive Director since 2010

Qualifications: BA (Hons University of Windsor; a certificate in Business Leadership; MBA (Stratchclyde University's Graduate School of Business).

BIHL committee membership: Investment; Bifm Subcredit

Major external positions, directorships or associations: Master Timber (Pty) Ltd

Field of expertise: General Business and Marketing

The Board recommends the re-election of this Director.

Ordinary Resolution No 4.3 – Re-election of G Hassam as Director
To re-elect G Hassam who retires by rotation in terms of the Articles of Associations of the Company, being eligible and offering himself for re-election.

Gaffar Hassam (39)
Chief Executive Officer since 2011

Qualifications: MBA (Oxford Brookes); Fellow of Association of Chartered Certified Accountants (FCCA)

Major external positions, directorships or associations: Letshego Holdings Limited; Botho University

Field of expertise: Accounting; Financial Markets and Investment; General Business; and Risk Management

The Board recommends the re-election of this Director.

Please note that M Seboni and R Dommisse also retire at this meeting but have decided not to offer themselves 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 2014.

To note the total amount of Directors' remuneration set out in the BIHL Annual Report, Non-Executive Directors' page 130 and Executive Director's page 230 for the financial year ended 31 December 2014.

6. Ordinary Resolution 6:
To approve the remuneration of the auditors for the year ended 31 December 2014.

7. Ordinary Resolution 7: Re-appointment of auditors
To re-appoint Ernst & Young, as nominated by the Company's audit 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

SPECIAL BUSINESS:

1. Special Resolution :
It was RESOLVED that the following resolution be passed as a Special Resolution:

To propose, consider and if deemed fit, to replace the company's Articles of Association and any amendments thereto, in their entirety with a Constitution in terms of Sec 43(3) of the Companies Act 2003, Act 32 of 2004, which is available for inspection at the Company's registered office.

VOTING AND PROXIES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a member of the Company.

2. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the Board

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 2015 at Gaborone Sun, 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 Gaborone Sun Conference Centre, on 30 June 2015, 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 2014			
2.	Ordinary resolution number 2 - to approve the dividends declared by the Directors on 19 August 2014 and 11 February 2015			
3.	Ordinary resolution number 3 – To re-elect the following Director appointed to the Board as additional directors in accordance with the provisions of the Articles of Associations of the Company, being eligible and offering themselves for re-election. 3.1 - Mr. Gerrit van Heerde			
	3.2 - Mr. Tertius Stears			
4.	Ordinary resolution number 4 - to elect Directors in accordance with the provisions of the Articles of Associations of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election 4.1 Mr. John Hinchliffe			
	4.2 Mr. Mahube Mpugwa			
	4.3 Mr. Gaffar Hassam			
5.	Ordinary resolution number 5 - To note the total amount of Non-Executive Directors and Executive Director's remuneration for the financial year ended 31 December 2014			
6.	Ordinary resolution number 6 - to approve the remuneration of the auditors for the year ended 31 December 2014			
7.	Ordinary resolution number 7 - to appoint auditors for the coming year to 31 December 2015			
9.	Special Resolution - To propose, consider and if deemed fit, to replace the Company's Articles of Association and any amendments thereto, in their entirety with a Constitution in terms of Sec 43(3) of the Companies Act 2003, Act 32 of 2004, which is available for inspection at the Company's registered office.			

Signed at ____________________ on the ____________________ day of 2015
Signature ____

NOTES TO FORM OF PROXY

Receiving and adoption of the Annual Financial Statements together with the reports of the Statutory Actuary and the Auditors

The Directors have to present to members at the Annual General Meeting the annual financial statements, incorporating the report of the financial director for the period ended 31 December 2014, together with the reports of the valuator and the auditors contained in this Annual Report.

Election of Directors

In terms of the Company's Articles, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. The Articles 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 2014 results	03 March 2015
Annual report sent on or about	08 June 2015
Annual General Meeting	30 June 2015
Interim results published	August 2015
Dividends	
2015 Final dividend payment	17 April 2015

Notes to form of proxy

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

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

3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Financial Centre Plot 50374, Off Machel Drive or PO Box 336, Gaborone Botswana, or faxed +267 397 3657 for the attention of the company secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the Annual General Meeting (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.

BIHL GROUP 40 YEARS

1975 2015

True to our roots as a proudly Botswana, proudly African business, we have commemorated the 40th anniversary of BIHL Group through the telling of a story. We look forward to the next chapter and the next 40 with you.

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