BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

Integrated Annual Report 2018

Bifm

Botswana Life

LEGAL GUARD

Botswana Insurance Company Limited

Insurer of first choice since 1975

About this Report

ENGINEERING LEGACIES WITH BATSWANA, FOR BATSWANA

It has been a year since we first redefined our purpose as the BIHL Group, or rather, re-articulated it to truly capture what we believe our calling and our mandate is in the beautiful country that we call home, Botswana, and in the region. Nearly twelve months on since we first introduced the Engineering Legacies narrative, our resolve has only grown firmer, our focus sharper, and our grit that much stronger.

This is because we knew from the onset that this was more than simply a story to tell or a campaign to be splashed; it was the articulation of what we knew to be whole, true, and deeper than words can do justice to. This is our business philosophy and it is a calling grounded by what we know to be a truth acknowledged across our businesses, our teams and the solutions that we craft: this is what we bring to Batswana and to the wider market as means towards enabling us all to engineer the kind of legacies, proactively, almost in reverse, that we can be proud of for generations to come. As we say in Setswana, *"setshwarwa ke ntsa pedi ga se thata"*, with the sentiment essentially being that a united and focused effort is more fruitful, indeed much as our Strength in Numbers seeks to remind.

We Engineer Legacies for and with Batswana to make a meaningful difference for our sector, our people and our Nation. This is possible through provision of innovative and relevant financial services at Group, Subsidiary and Associate level. Thus, we continue in this mission, this Purpose, and this unwavering ambition to make a meaningful difference as we cultivate and curate true legacies. In the pages that follow of this Integrated Annual Report, we look at the projects delivered, actions taken and progress made in our unending bid to build on our rich heritage and leverage our Strength in Numbers for a prosperous future. It is a reflection of our past, at once informing and shaping a future we enter together with all of our valued teams, friends, families, partners, and stakeholders, "Temogo boleng ke tswelolopele ya bokamoso". Let us realise value in tomorrow's progression.

Corporate Information

ADMINISTRATION

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

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

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

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

Company Secretary
Haig Ndzinge

Statutory Actuary
Edwin Splinter

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

Botswana Life Insurance Limited
Block A: Fairgrounds Office Park
Private Bag 00296
Gaborone, Botswana
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Botswana Insurance Fund Management Limited
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Fax: +267 3900 358
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BIHL Insurance Company Limited (Legal Guard)
Block D: Fairgrounds Office Park
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www.legalguard.co.bw

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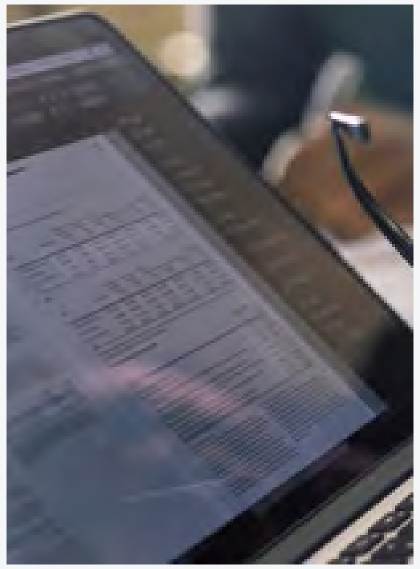


01

Introduction to the Group

Results at a glance

Operating Profit

+12% to P375 million

Embedded value

+3% to P4.42 billion

Assets under management

+3% to P27.5 billion

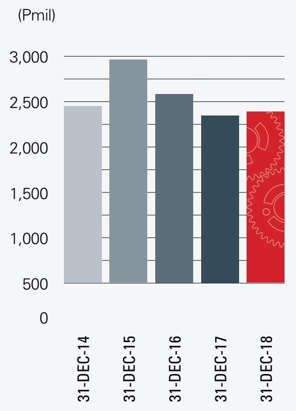
Value of new business

-1% to P147 million

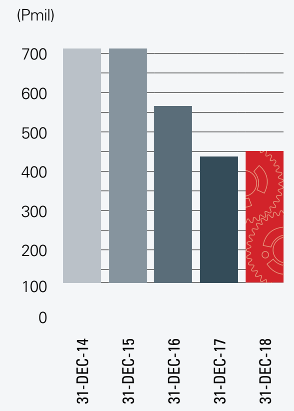
	2018 P million	2017 P million	% Change
Group Summary			
Premium income (net of reinsurance)	**2,349**	2,320	1%
Value of New Business	**147**	149	-1%
Operating profit	**375**	333	12%
Total profit	**371**	349	6%
Assets Under Management	**27,500**	26,700	3%
Ordinary shareholders' equity	**2,819**	2,952	-3%
Total assets	**15,811**	15,571	2%
Embedded value	**4,419**	4,307	3%
Productivity			
Operating expenses to premium income and asset management fees	**13%**	13%	
Selling expenses to premium income	**13%**	14%	
Return on embedded value	**14%**	7%	
Solvency and Liquidity			
Capital adequacy cover (times)- Life business	**4.7**	5.4	
Dividend cover on core earnings** (times)	**0.95**	0.78	
Ordinary Share Performance			
Basic earnings thebe per share	**135**	127	6%
Diluted earnings thebe per share	**135**	126	7%
Dividend thebe per share - interim	**60**	55	9%
- final proposed - Normal	**67**	67	0%
- final proposed - Special	**16**	35	-54%
Embedded value thebe per share	**1,565**	1,525	3%
Trading prices (thebe per share)			
closing price	**1,750**	1,854	-6%
high	**1,854**	1,885	-2%
low	**1,746**	1,754	0%
Price earnings ratio	**14**	15	-11%
Domestic Companies Index (DCI)	**7,854**	8,860	-11%
Number of shares in issue ('000)	**282,371**	282,371	0%
Number of shares traded ('000)	**4,160**	7,871	-49%
Market capitalisation (P million)	**4,941**	5,235	-6%
Number of shareholders	**2,697**	2,852	0%
Earnings yield (%)	**7.49**	6.81	10%
Dividend yield (%)	**7.02**	8.47	-17%

** Core earnings include operating surplus and shareholder investment income

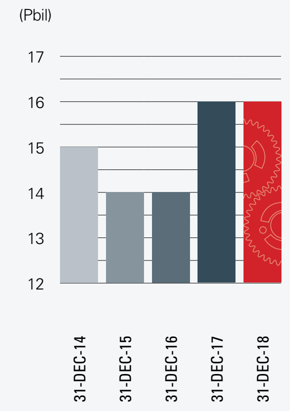
Premium Income (P million)



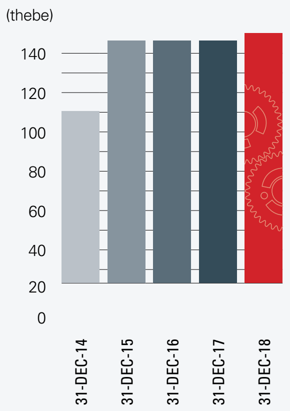
Profit After Tax (P million)



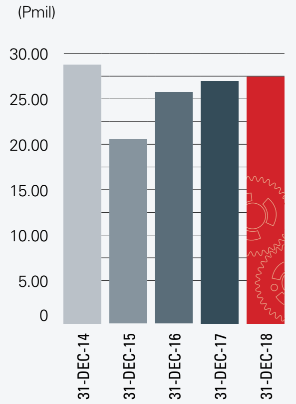
Investments (P billion)



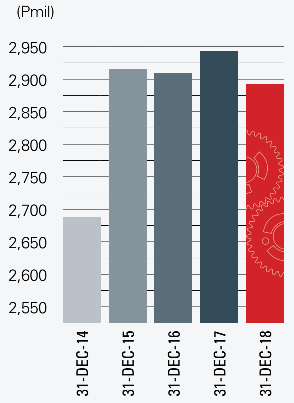
Dividends Per Share (thebe)



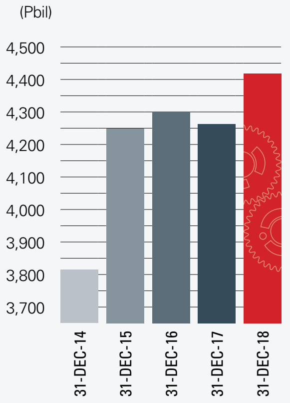
Assets Under Management (P million)



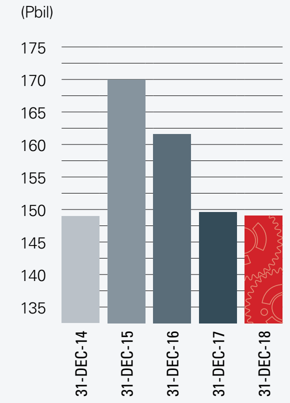
Shareholders' Equity (P million)



Embedded Value (P billion)



Value of New Business (P million)



Ten Year Review

for the year ended 31 December 2018

Group Consolidated Income Statement	Year to 31-Dec-18 P'000	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000
			Restated	Restated		Restated				
Net insurance premium income	**2,349,017**	2,320,046	2,074,927	2,487,265	1,986,683	1,878,026	1,949,585	1,767,046	1,620,513	1,253,413
Recurring	**1,304,936**	1,219,367	1,085,051	1,078,940	970,724	914,650	887,972	877,636	754,096	682,577
Single	**1,044,081**	1,100,679	989,876	1,408,325	1,015,959	963,376	1,061,613	889,410	866,417	570,836
Fee revenue	**107,021**	103,075	91,176	88,447	110,915	98,039	74,700	110,944	137,249	120,623
Fair value gains on investment properties	-	-	-	-	-	-	-	-	-	-
Investment income	**142,698**	658,193	752,120	684,327	972,569	594,856	628,915	749,577	470,190	479,984
Interest income using EIR	**11,065**	-	-	-	-	-	-	-	-	-
Other interest income	**615,050**	-	-	-	-	-	-	-	-	-
(Loss)/Profit on sale of subsidiary	-	12,993	-	-	(15,878)	-	6,075	33,785	-	-
Net gains/(losses) from financial assets held at fair value through profit and loss and investment properties	**(50,762)**	(55,241)	(840,093)	1,095,286	(161,013)	2,343,127	452,917	134,323	(180,785)	1,002,835
Total revenue	**3,174,089**	3,039,066	2,078,130	4,355,325	2,893,276	4,914,048	3,112,192	2,795,675	2,047,167	2,856,855
Net insurance and investment contract benefits and claims	**(2,145,572)**	(2,027,157)	(1,104,613)	(3,173,993)	(1,944,801)	(3,995,068)	(2,314,707)	(1,935,869)	(1,182,594)	(2,178,646)
Policyholder benefits paid	**(1,487,101)**	(1,374,527)	(1,533,219)	(1,297,284)	(1,192,395)	(1,054,527)	(904,175)	(907,175)	(712,524)	(524,344)
Change in liabilities under investment contracts	**(191,599)**	(64,932)	676,641	(674,663)	(205,052)	(1,719,987)	(383,646)	(400,986)	(132,674)	(850,960)
Change in liabilities under insurance contracts	**(466,872)**	(587,698)	(248,035)	(1,201,036)	(547,354)	(1,220,554)	(1,026,885)	(627,646)	(337,396)	(803,342)
Expenses	**(619,231)**	(660,458)	(622,819)	(647,127)	(575,135)	(524,857)	(508,636)	(465,265)	(534,852)	(447,815)
Selling expenses	**(310,895)**	(336,295)	(312,255)	(323,517)	(258,899)	(244,410)	(219,165)	(219,687)	(297,649)	(245,028)
Administration expenses	**(308,336)**	(324,163)	(310,564)	(323,610)	(316,236)	(280,447)	(289,471)	(245,578)	(237,203)	(202,787)
Profit before share of profit of associates and joint venture	**409,286**	351,451	350,698	534,215	373,340	394,123	288,850	394,541	329,721	230,394
Share of profit of associates and joint ventures	**52,871**	72,927	224,671	186,728	253,619	189,202	196,482	133,872	72,217	26,821
Profit before tax from continuing operations	**462,157**	424,378	575,369	720,943	629,958	583,325	485,332	528,413	401,938	257,215
Tax expense	**(95,694)**	(76,092)	(100,581)	(123,942)	(107,495)	(84,621)	(90,936)	(57,083)	(69,456)	(19,544)
Profit from continuing operations	**366,463**	348,286	474,788	597,001	519,463	498,704	394,396	471,330	332,482	237,671
Discontinued operations										
Profit/(loss) for the year from discountinued operations	**4,069**	1,041	524	-	(14,750)	(3,931)	-	-	-	-
Profit on sale of short-term insurance business	-	-	-	-	932	-	-	-	-	-
Profit for the year	**370,532**	349,327	475,312	597,001	505,645	494,773	394,396	471,330	332,482	237,671
Earnings per share (thebe) for continuing operations										
- basic	**133**	126	173	214	183	183	146	174	122	87
- diluted	**133**	125	171	211	188	182	146	174	122	87
Gross dividends per share (thebe)	**143**	157	122	142	87	50	35	66	66	77
Weighted average number of shares in issue ('000)	**274,945**	277,919	277,278	273,310	273,046	269,779	268,110	265,812	263,979	261,967

Profit for the year

P371milllion

Gross Dividends Per Share

143thebe

Total Revenue

P3.1billion

Ten Year Review (continued)

for the year ended 31 December 2018

	Year to 31-Dec-18 P'000	Year to 31-Dec-17 P'000	Year to 31-Dec-16 P'000	Year to 31-Dec-15 P'000	Year to 31-Dec-14 P'000	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000	Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000
Group Consolidated Statement of Financial Position										
Property and equipment	**155,320**	155,350	156,006	155,504	20,138	20,827	10,911	12,561	15,854	18,487
Intangible assets	**99,454**	92,273	100,357	122,708	122,410	150,898	154,001	146,735	140,782	82,622
Investments	**15,041,233**	14,789,197	13,016,580	12,786,414	13,852,451	13,033,188	14,281,694	11,111,149	10,428,159	9,648,070
Loans at amortised cost	**50,000**	-	-	-	-	-	-	-	-	-
Trade and other recievables	**304,585**	295,667	204,225	220,964	201,522	282,154	209,722	209,360	206,991	218,458
Non-current assets held for sale	**47,688**	54,222	94,396	-	-	-	-	-	-	-
Cash deposits and similar securities	**112,844**	184,254	819,280	1,055,086	658,468	580,675	760,539	1,248,601	1,376,229	1,414,989
Total assets	15,811,124	15,570,963	14,390,844	14,340,676	14,854,989	14,067,742	15,416,867	12,728,406	12,168,015	11,382,626
Ordinary shareholders' equity	**2,818,565**	2,941,557	2,916,515	2,912,607	2,686,067	2,405,401	1,944,961	1,690,795	1,374,259	1,261,805
Non-controlling interest	**22,008**	16,823	20,583	18,474	18,569	34,912	33,651	36,050	31,588	35,042
Policyholder liabilities	**12,521,188**	12,218,341	10,956,497	10,933,114	11,641,698	11,123,239	12,966,213	10,587,046	10,311,402	9,762,230
- insurance contracts	**9,859,345**	9,388,540	8,800,323	8,555,332	7,350,937	6,809,709	5,592,069	4,573,613	3,957,129	3,633,013
- investment contracts	**2,661,843**	2,829,801	2,156,174	2,377,782	4,290,761	4,313,530	7,374,144	6,013,433	6,354,273	6,129,217
Deferred tax liability	**13,695**	9,702	17,620	18,360	33,209	23,790	17,939	12,726	19,050	21,090
Liabilities classified as held for sale	**21,795**	15,682	-	-	-	-	-	-	-	-
Trade and other payables	**413,873**	368,858	479,629	448,121	475,446	480,400	454,103	401,789	431,716	302,459
Total equity and liabilities	15,811,124	15,570,963	14,390,844	14,340,676	14,854,989	14,067,742	15,416,867	12,728,406	12,168,015	11,382,626
Group Statement of Cash Flows										
Cash generated from/(utilised in) operating activities	**557,053**	1,206,418	1,168,158	(1,435,637)	290,693	(4,427,312)	1,785,568	(85,378)	937,655	2,123,616
Interest received	**97,323**	88,360	69,051	121,145	428,115	453,692	329,165	425,096	45,503	35,116
Tax paid	**(84,464)**	(90,934)	(115,657)	(139,786)	(54,004)	(94,206)	(106,695)	(69,253)	(59,179)	(40,263)
Dividends (paid)/received	**(186,543)**	(155,985)	(135,949)	(96,348)	(21,786)	96,202	13,790	65,353	(205,307)	(240,246)
Cash flow from operating activities	**383,369**	1,047,859	985,603	(1,550,626)	643,018	(3,971,624)	2,021,828	335,818	718,672	1,878,223
Cashflow (utilised in)/from investing activities	**(454,779)**	(1,682,885)	(1,221,409)	1,947,245	(565,225)	3,791,760	(2,509,890)	(463,446)	(757,432)	(1,847,712)
Net (decrease)/increase in cash and cash equivalents	**(71,410)**	(635,026)	(235,806)	396,618	77,793	(179,864)	(488,062)	(127,628)	(38,760)	30,511
Cash and cash equivalents at the beginning of the year	**184,254**	819,280	1,055,086	658,468	580,675	760,539	1,248,601	1,376,229	1,414,989	1,384,478
Cash and cash equivalents at the end of the year	112,844	184,254	819,280	1,055,086	658,468	580,675	760,539	1,248,601	1,376,229	1,414,989

YEAR ENDING 2018

Net Insurance Premium Income
P2.35bn

Tax Paid
P84.5m

Total Assets
P15.8bn

Dividends Paid
P186.5m

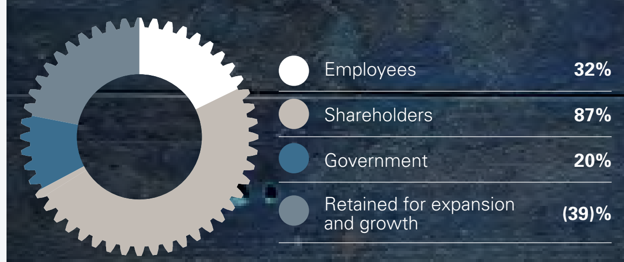
Core Earnings
P383m

Value Added Statement

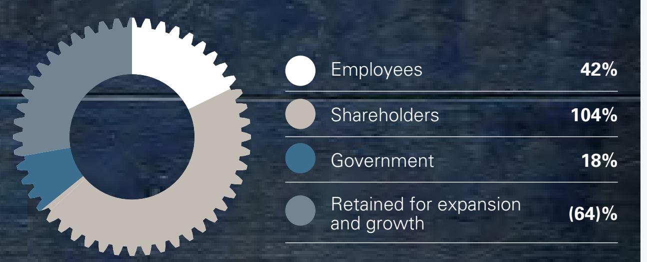
for the year ended 31 December 2018

	2018 P'000	2017 P'000
Value Added		
Income from operations	2,572,558	2,460,404
Operating expenditure	(619,231)	(660,458)
Policyholder benefits paid	(1,487,101)	(1,374,527)
	466,226	425,419
Value Distributed		
To employees		
Salaries, wages and other benefits	148,704	177,061
To ordinary shareholders		
Dividends - Normal	358,611	344,492
- Special	45,179	98,830
	403,790	443,322
To minority shareholders	(144)	270
To Government		
Taxation	95,694	76,092
To expansion and growth		
Reinvested in the business for future growth	(191,685)	(297,337)
Amortisation	7,563	10,324
Depreciation	6,297	9,490
Deferred taxation	(3,993)	6,198
	(181,818)	(271,325)
	824,981	425,419
Summary		
Employees	32%	42%
Shareholders	87%	104%
Government	20%	18%
Retained for expansion and growth	-39%	-64%
	100%	100%

Value Added Distribution
31 December 2018



Value Added Distribution
31 December 2017



Share Analysis - Ordinary Shares

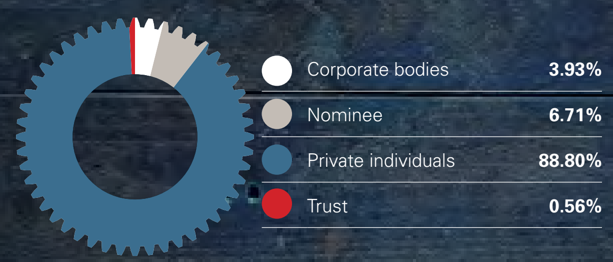
for the year ended 31 December 2018

	Shareholders		Shares Held	
	Number of holders	% of holders	Shares held	% of issued shares
1- 5,000	2,141	79.38%	2,026,161	0.7%
5,001-10,000	224	8.31%	4,901,505	1.7%
10,001- 50,000	61	2.26%	14,438,596	5.1%
50,001-100,000	203	7.53%	1,421,095	0.5%
100,001- 500,000	42	1.56%	3,201,150	1.1%
500,001 - 1,000,000	11	0.41%	7,490,845	2.7%
OVER 1,000,000	15	0.56%	248,891,300	88.1%
Total	2,697	100%	282,370,652	100%

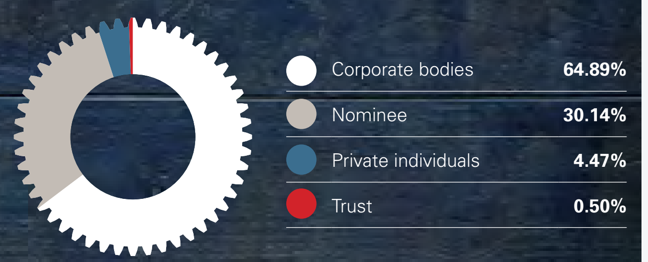
Top ten shareholders		
Scbn (Pty) Ltd Sanlam Emerging Markets:	116,388,211	41.22%
African Life Assurance Company (Botswana) (Pty) Ltd	48,603,380	17.21%
Botswana Public Officers Pension Fund	15,280,292	5.41%
Botswana Public Officers Pension Fund	11,687,999	4.14%
Motor Vehicle Accident Fund	10,735,164	3.80%
Botswana Public Officers Pension Fund	9,489,155	3.36%
Botswana Public Officers Pension Fund	8,290,581	2.94%
Botswana Insurance Fund Management	6,608,898	2.34%
Botswana Public Officers Pension Fund	6,322,815	2.24%
Fnb Noms Bw (Pty) Ltd Re: Bpopf Equity Portfolio C	5,161,071	1.83%
Others	43,803,086	15.51%
	282,370,652	100%

	Shareholders		Shares Held	
Category	**Number**	**%**	**Number**	**%**
Corporate bodies	106	3.93%	183,226,637	64.89%
Nominee	181	6.71%	85,111,681	30.14%
Private individuals	2,395	88.80%	12,617,742	4.47%
Trust	15	0.56%	1,414,592	0.50%
	2,697	100.00%	282,370,652	100.00%

Shareholders Categories 2018



Shares Held by Category 2018



The BIHL Group at a Glance

PURPOSE

The Purpose of the Botswana Insurance Holdings Limited Group is:

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

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

VISION

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

MISSION

These phases of growth have been described by three themes:

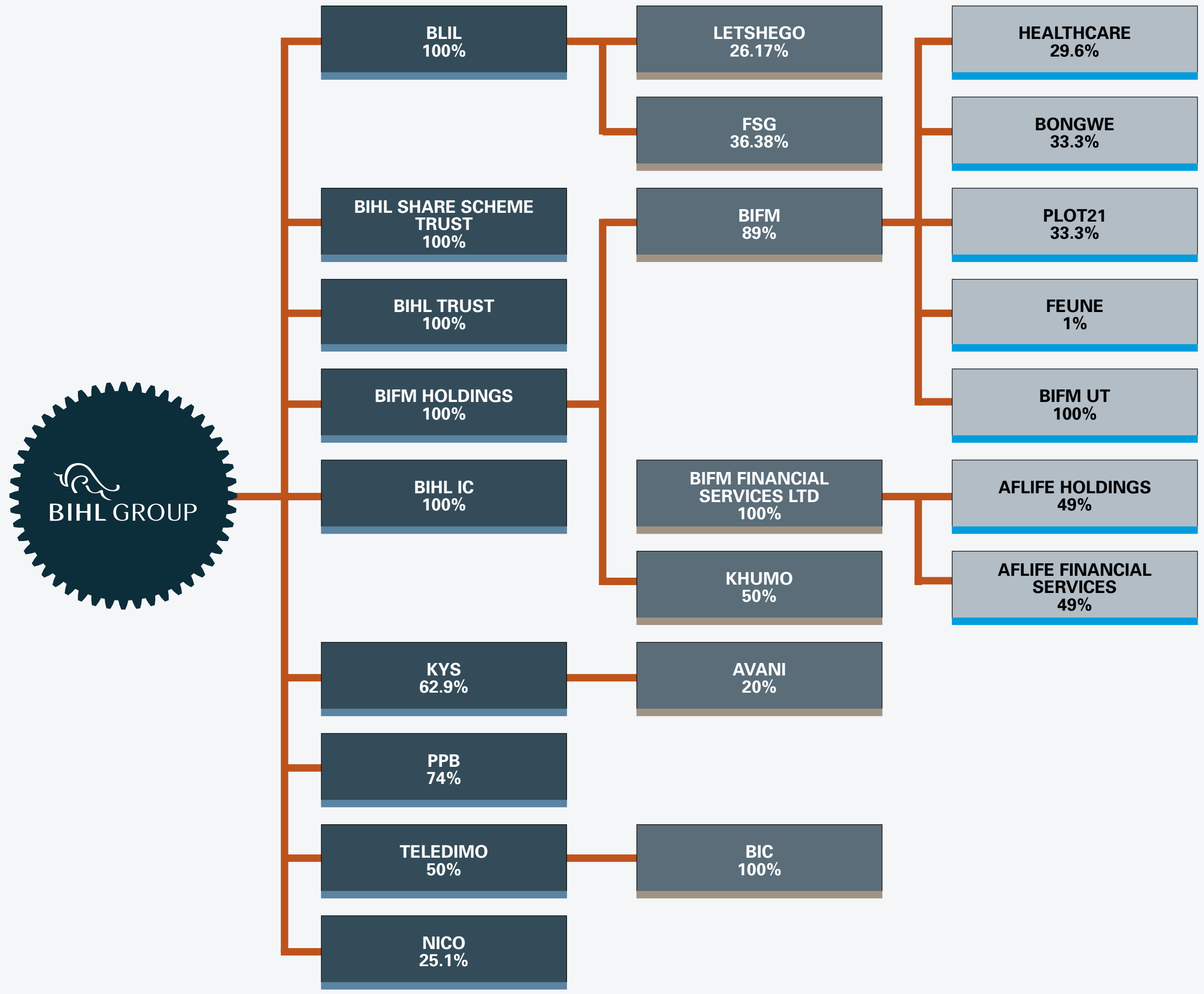
01 Collaborate for growth;

02 Optimise for efficiency and innovate; and

03 Consolidate.

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

Structure



BIHL CORE BUSINESSES

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

GROUP BRANDS

BIHL GROUP | Bifm | Botswana Life | LEGAL GUARD | Botswana Insurance Company Limited – Insurer of first choice since 1975

Our History

1975
Legislation passed to establish a Central Bank, with the framework to govern financial institutions that will fall under its supervision.

1981
Botswana Insurance Company starts development of the country's first major residential estate, Tapologo Estates, on behalf of its life and pension funds.

1987
The Insurance Industry Act of Botswana is promulgated, regulating all aspects of insurance in Botswana and requiring separate legal entities for the underwriting of long- and short-term insurance businesses.

1991
Exchange control liberalised, permitting diversification of investments offshore. Botswana Insurance Company is restructured to separate its general insurance business and life insurance business. The Botswana Insurance Holdings Limited (BIHL) Group, which consists of Botswana Life Insurance Limited and Botswana General Insurance Limited, is the result.

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

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

1995
African Life Assurance Company Limited acquires a major shareholding in the BIHL Group from Southern Life and Botswana Development Corporation. The acquisition marked a key moment in the BIHL Group narrative, as the trajectory of growth becomes ever more apparent.

1999
In conjunction with Botswana Accountancy College (BAC), Botswana Life launches insurance courses at the College with the company's initial funding of the project matched by Government. Botswana Life also funds 15 of the first 25 students to register for the certificate course. The initiative marked a key moment in the Company's long term commitment to empowering Batswana through greater access to and opportunity for advancing their education.

2003
From the start, HIV/AIDS was made a very important component to the outlook that the BIHL Group took when engaging with communities. The BIHL Group and all its subsidiaries took bold steps to turning the tide on this pandemic. The youth was and remains a key audience in preventing the spread of HIV/AIDS. Without any doubt, the BIHL Group can proudly be counted as among the most active in communication and sharing the messages around prevention.

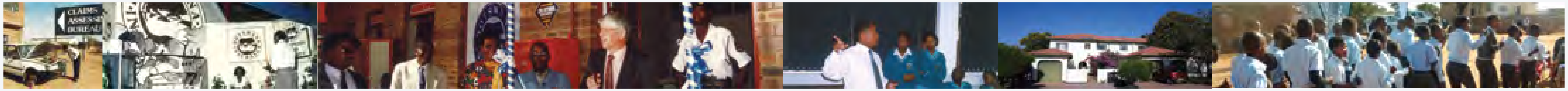
2004
In this year, Bifm unveils its new corporate identity and a definitive positioning statement, "Dynamic Wealth Management." It is a positioning that firmly marks Bifm's objective of becoming an innovative, leading asset management firm, whilst leveraging its position as the oldest Asset Management business in the country, and the wealth of heritage brings this.

2006
Continuing in its drive towards attaining greater market share and serving as the leading life insurance provider in the market, Botswana Life enhances its product offering.
The business launches three new products - Mmoloki, Motlhokomedi and a Mortgage Protector Plan.

2007
The BIHL Board approves establishment of a community development trust to address its Corporate Social Investment obligations.

2008
Bifm's first PPP project – the building housing the Office of the Ombudsman and the Lands Tribunal at the Main Mall, popularly known as Plot 21 – was handed over to the Ministry of Public Works on time and within budget.

2009
Near the New CBD of Gaborone is a major landmark and the pride of Southern Africa – the new SADC Headquarters. Bifm once more kept its promises by delivering this property on time and within budget.



Our History

2010

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

2012

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

2013

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

2014

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

2015

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

2016

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

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

2017

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

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

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

2018

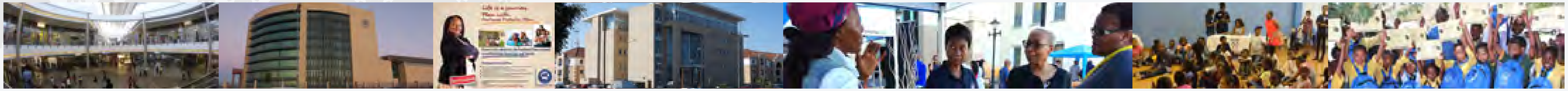
The BIHL Group hosted the inaugural Global Financial Summit in Gaborone, themed 'Navigating the challenges and opportunities in financial services in Emerging Markets,' to great success.

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

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

2018

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



Strategy Update

2018 marked the end of a 5-year twin strategy of growth and profitability at the BIHL Group. The Group achieved good progress across strategic pillars, with businesses successfully retaining market leadership positions amidst increasing operating environmental pressures. Client-centricity has been at the core of this strategy and remains the driver of strategic decisions at the BIHL Group.

01 Market Share Protection & Growth

(Maintain Market Share of existing businesses)

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

During 2018, customer satisfaction was at the centre of market share protection and growth, including some of the following notable activities:

- The BIHL Group subsidiaries continued to show resilience, with all businesses maintaining market leadership positions.
- Following the launch of the Poelo product in 2017, and subsequent early market acceptance, the Life business introduced yet another innovative product in November 2018. This is the Botswana Life International Investment Plan; the first of its kind in the country.
- New mandates were won and strategic partnerships were signed up, contributing positively to income and profitability during the year.
- Channel initiatives to enhance productivity in the retail lines across the Group. This included the establishment of a direct retail sales channel for the Unit Trust offer at Bifm, coupled with a countrywide educational campaign to increase awareness and Bifm's market presence.

02 Proposed Investments

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

Although no new investments were concluded in the period, investigations continue to find suitable investments.

03 Increase Efficiencies

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

Post rationalisation of staff and other costs, technology continues to be a key driver in service improvements and customer satisfaction.

- Successful change in Unit Trust liability administration system leads to improved client servicing.
- Good progress was achieved with the optimisation of internal processes.

04 Group Synergies

The strength of existing businesses and functions at the BIHL Group, including resources and expertise, will be harnessed to derive greater value to the Group, truly leveraging our Strength in Numbers.

Value continues to be derived from the Group Business Development Office at the BIHL Group, particularly in the areas of positioning the Group offer to the market, identification of opportunities for the BIHL Group of companies as well as attaining beneficial feedback from clients. Furthermore, sizable new group schemes were secured through this office.

05 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 the BIHL Group. Staff are viewed as critical to the required success. Thus, necessary enablement of a high-performance culture and skills alignment becomes an imperative in supporting future growth.

Skills development remains a core priority at the BIHL Group. The relationship between the Group and Ba Isago University continues to grow our skilled workforce in the insurance sector. To date, 14 employees successfully completed Diploma in Insurance, since enrollment in 2016. As the Group is commited to leadership development, employees were selected to partake in the Sanlam Leadership Development Programme. A key area of focus during the year was distribution transformation, which included training, mentoring and coaching of our sales teams. This being to ensure that clients receive the most suitable advice from our distribution. The new Graduate Programme continued to bring individuals with good potential exposing and developing with skills.

Staff Wellness

Employee wellness is at the heart of our operations. The BIHL Group continued to offer wide-ranging employee wellness programmes intended to increase employee awareness of our overall health and wellbeing. Informative health education was provided, and group exercising clubs with growing membership and participation noted.

The BIHL Group in Action

MARCH

BOTSWANA STOCK EXCHANGE LISTING CONFERENCE OPENED BY THE BIHL GROUP CEO

In addition to opening the acclaimed Botswana Stock Exchange (BSE) Listing's Conference in Gaborone, the BIHL Group CEO, Catherine Lesetedi, joined BSE CEO, Thapelo Tsheole, in ringing the BSE golden bell in proud commemoration of International Women's Day. A momentous occasion, as this shared the Group belief that a more inclusive economy brings a variety of commercial benefits including having stronger GDP, positive results growing over the years, higher levels of employment and productivity and enhanced risk management.

The BIHL Group was a Diamond sponsor for the second year running, a mark of continued support of the listing process and the BSE as a formidable investment platform.

SEPTEMBER

THE BIHL GROUP AND GROUP CEO WIN BIG AT NASDAQ HOSTED AFRICA INVESTOR AWARDS

The BIHL Group earned its second double-win in the last 3-years at the prestigious Africa Investor (Ai) Capital Markets and Index Series Awards.
The BIHL Group took home accolades for the "Ai Best Performing Ai100 Company," while Group CEO, Catherine Lesetedi, received the "Ai100 CEO of the Year" for the second time in her career.

The Awards were hosted as part of the 12th annual Ai CEO Institutional Investment Summit at the NASDAQ Market site in Times Square, New York, on the 25th of September 2018. The Ai Capital Market Index Series Awards recognise the achievements of capital market investors, business leaders, regulators and institutions improving Africa's capital market investment climate. First launched in 2007, the Awards are based around the Africa investor (Ai) Index Series. The BIHL Group and Ms. Lesetedi earned these very honours in 2016 as well.

MAY

CELEBRATING SOARING EAGLES AT BOTSWANA LIFE ACHIEVERS CLUB AWARDS

Botswana Life Insurance Limited hosted the annual Achievers Club Awards 2018, under the theme "The Year of the Eagles." The Achievers Club is a platform for Botswana Life's elite agents and brokers who demonstrate a veritable passion for sales and driving the growth of the business. The annual awards, now in their third year, celebrate the effort continuously demonstrated by the Achievers' performance as they excel over time, performing above and beyond expectation. A total of 38 recipients were rewarded on the night, marking a strong year on year growth of talent appreciation at Botswana Life, and a testament to the investment in capability yielding strong results.

Despite a challenging global and National economy and difficult circumstances encountered, those recognised and celebrated on the night persevered and indeed thrived to help contribute to positive performance for Botswana Life.

> The platform was created with the belief that dialogue on key matters in the financial services sector, and with a meeting of public and private sector minds, helps the industry grow.

OCTOBER

INAUGURAL BIHL GLOBAL FINANCIAL SUMMIT HOSTED

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

The platform was created with the belief that dialogue on key matters in the financial services sector, and with a meeting of public and private sector minds, helps the industry grow. The Summit was officially opened by the Minister of Finance and Economic Development, Honourable Kenneth O. Matambo, and graced by economic experts and commentators from Botswana and the region. This included: Catherine Lesetedi - The BIHL Group CEO; Dr. Martyn Davies - Deloitte SA; Bame Pule - Africa Lighthouse; Keith Vincent - Wilderness Holdings; Mamadou Mbaye - FONSIS and Gaffar Hassam - Sanlam, who led a panel discussion. Panelists included: Khalil Modarrisi - Bifm; Shingai Mutasa - Masawara Group; Naledi Madala - Barclays Bank; and Doug Munatsi - Dbf Capital Partners.

OCTOBER

BOTSWANA LIFE CLASSIC RUN A RESOUNDING SUCCESS

The much-anticipated Botswana Life Classic Run Half Marathon took place on Sunday 7th October 2018. The Classic Run is an annual running platform and a hallmark event for professionals and amateurs alike. The running event speaks to Botswana Life's efforts in helping Batswana live an active lifestyle. Botswana Life expressed its determination to continue to play its part in promoting health and wellness and encouraging Batswana to live an active lifestyle. This was the silver jubilee of the calendar sporting event. Following a successful showing and raising of funds, the brand thanked sponsors, partners and volunteers, with special mention of the Botswana Athletics Association (BAA), Gaborone Striders and RunWidlt for helping pull off a succesful event.

OCTOBER

BOTSWANA LIFE GIVES SEEPOLLE FAMILY A NEW HOME

Botswana Life, in partnership with the National Housing Appeal, donated a house to the Seepolle family in Mogobane village. This builds on previous investment of this nature. In 2017, the business handed over five houses in Hukuntsi through the National Housing Appeal. This brings the total number of houses handed over to the National Housing Appeal by Botswana Life to fifteen over a three-year period.

The BIHL Group in Action (continued)

NOVEMBER 2018

THE BIHL GROUP LAUNCHES #APPFORCHANGE YOUTH COMPETITION!

The BIHL Group #AppForChange competition launched in November 2018, held in association with Botswana Innovation Hub. The platform was introduced to make a true difference to young innovative Batswana. #AppForChange challenged youth companies and individuals to develop an App that addresses business needs while providing youth interest in Investment, Insurance and Legal Services. The competition saw 18 entries received, with 12 teams presenting their concepts. In addition to the P50,000.00 prize money, the winning team Power Circle Group (PCG), was named in December 2018, and will be contracted to develop and deliver the Mobile App solution for the BIHL Group. Through this platform, the BIHL Group works to lead by example, driving greater technological advancement in today's digital revolution.

NOVEMBER 2018

BOTSWANA LIFE NAMES RONALD JAMES SAMUELS AS CEO

In line with the Botswana Life Insurance Limited Board's ambition for the business, and following approval by NBFIRA, the Board appointed Ronald James Samuels as Botswana Life's new Chief Executive Officer. The Board spoke of confidence in Mr. Samuel's extensive experience and strategic approach to serve the business well and to continue working to enable Botswana Life to realise its full potential.

NOVEMBER 2018

BOTSWANA LIFE LAUNCHES INTERNATIONAL INVESTMENT PRODUCT

Botswana Life Insurance Limited launched its International Investment Plan Product, designed to assist the legacy company's Affluent Clients access Offshore Investments in Sanlam Bermuda through Sanlam Global Investment Solutions. Guests at the launch included newly appointed Botswana Life Insurance Limited CEO, Mr. Ronald James Samuels, and Sanlam Global Investment Solutions Head of Operations, Mrs. Michelle Moller.

The International Investment Plan Product is offered as a single and also regular premium International Investment Product, giving affluent clients access to their investment value at any time. It will be distributed through accredited financial advisors and contracted brokers working with Botswana Life's Affluent team, contributing to creating a world where everyone is financially secure.

NOVEMBER 2018

PRISCILLAH NDADI APPOINTED BOTSWANA LIFE CHIEF OPERATIONS OFFICER

The Board of Botswana Life Insurance Limited appointed Priscillah Ndadi as the Chief Operations Officer (COO) of the business. The recruitment, which saw an existing employee of requisite skill, passion and experience, spoke to the depth of skills development within Botswana Life.

DECEMBER 2018

BOTSWANA LIFE DONATES FUNDS RAISED FROM CLASSIC RUN TOWARDS HEALTH INITIATIVES FOR BATSWANA

Botswana Life handed over funds raised from the 2018 Classic Run to Cancer Association of Botswana and Diabetes Botswana, respectively. A total of P53,675.88 was handed over, with each charity organisation receiving P26,837.94. The organisations selected have a shared interest in the health and wellness of Batswana, aligning to Botswana Life's own interests in this space. With such alarming statistics on breast cancer and diabetes, Botswana Life heeded the call to action to support each of these causes.

NOVEMBER 2018

BOTSWANA LIFE OPENS PALAPYE BRANCH

Botswana Life officially launched a newly relocated Palapye branch at the New Diphalane Mall. The decision to relocate the branch came as Botswana Life recognised the need for greater support in the new location. Indeed, the new branch is not simply a relocation, but a testament and reaffirmation of the business' commitment to Palapye and its surrounding communities and bring a more purpose built and state of the art brick and mortar site. The New Diphalane Mall branch employs 8 staff and offers all the service offerings Batswana have come to love and expect from the brand.

02

Operations Review

Group Chairman's Report

It has been 10 years since I assumed Chairmanship of the BIHL Group and a great deal has happened in that time, including several years of significant upheaval and change. Overall, 2018 was a stable year; however, as years go, it had its trials.

The Group's subsidiaries - Botswana Life, Bifm and Legal Guard - were all hard pressed to achieve the satisfactory results that are reflected in this Report; but they did. In what appears to be becoming a trend throughout the Group, the second half of the year once again delivered a markedly improved performance over the first.

The general state of the economy in Botswana remains a major challenge for the Group. As much as we see an improvement in the official GDP numbers, this does not appear to reflect the strain under which businesses and individuals are operating. The country's unemployment rate, which has been inching upwards since 2015, reaching 18.1% at end-2017, is but one indicator of this.

Although still some way off the all-time high of 26.2% recorded in 2008, there are no indications that the upward trend reversed, or even slowed, in the review period. At the time of writing, the official unemployment figures for 2018 had not been released. However, the impact of the closure of the Selibe Phikwe BCL Mine in late 2016, and the ripple effect this had even beyond the mining sector, continued to work its way through the economy in 2018.

2008

Batsho Dambe-Groth was appointed to the BIHL Group Board as an Independent Non-Executive Director and Chairman of the Human Resources Committee

2010

Under her stewardship the BIHL Group participated in landmark projects such as Rail Park Mall and Airport Junction Shopping mall.

2016

Botswana Insurance Company Limited
Insurer of first choice since 1975

Under her leadership, the BIHL Group made an indirect acquisition of Botswana Insurance Company

Mrs. Batsho Dambe-Groth
The BIHL Group Chairman

Group Chairman's Report (continued)

Also of concern is the fact that more than one-third of our youth - 35.6% - are unemployed, according to the latest available statistics. This unacceptably high number has remained virtually unchanged at around the 35% mark since 2010. This is of great concern to the Group and is why much of the focus of our CSI efforts, through the BIHL Trust, is directed at youth; with particular emphasis on youth entrepreneurship and empowerment.

The difficult economic conditions in the country are also reflected in the growth of household debt and the continual rise in unsecured borrowings, which currently stands at around 11% of all household debt, compared to 5% for secured loans. This suggests individuals are borrowing more, simply to keep their heads above water.

The prevailing conditions have clearly impacted the BIHL Group's results, which have not yet started to fully reflect the positive impact of the restructuring that took place in 2017. This will only be fully realised in 2019, by which time we will have made considerable progress in attracting and grooming new and upcoming talent to fill the gap created by the loss of some skilled individuals as a result of resignations (notably at Bifm) as well as the restructuring. The loss of highly skilled individuals, at any level, although always regrettable, should always be regarded as an opportunity to bring in people with fresh ideas and different ways of thinking. This is as important to the Board of Directors as it is to the Executive team.

There is no doubt that the business is solid and well-placed to continue to look after Botswana's policy holders and pensioners from a human capital perspective.

To avoid the risk of this comforting solidness morphing into staleness, the Group is aware of the need for ongoing innovation. In line with this, we are truly fortunate to have Sanlam, one of the largest and most innovative insurance companies in Africa, as a shareholder and partner. This relationship continues to deliver enormous benefit to the Group in the form of technical advice and staff exchanges that offer our people an opportunity to grow and develop their skills.

In addition, rather than resting on our laurels and continuing to do what we have always done, we are constantly looking for new projects and approaches, including ways in which to expand our portfolio of financial services products.

A major highlight of the year was the bringing to fruition of the Bifm Citizen Share Scheme, which has resulted in 25.1% of the company now being owned by citizens from within the company. We took time to develop a solution that would deliver real value to citizen shareholders and the company. It has been a slow process, but we are immensely proud of the solution we have put together. I am confident it augurs extremely well for Bifm's future.

Operating Profit

+12% to P375 million

Embedded Value

+3% to P4.42 billion

There is no doubt that the business is solid and well placed to continue to look after Botswana's policy holders and pensioners from a human capital perspective.

The Board

With a high percentage of Board members having been in their positions for over 5 years, this is an area to which the Board is devoting serious attention. The King IV guidelines indicate that members of Boards should not hold their positions for more than nine years, though Sanlam does not prescribe any time limit on Board membership. While the Board will continue to use the King guidelines in terms of financial governance and the composition of the Board, the BIHL Group Board has decided that when it comes to the longevity of Board members, we will take a different approach. It has been agreed that the performance of every Board member, including that of the Chairman, will be evaluated every year to ensure that we all continue to add value to the company.

The Group is fortunate that we have been able to constitute Boards at Group and Subsidiary level, of excellent, dedicated individuals with expertise in a range of technical areas that support the many facets of the Group's operations. Board members are carefully selected for their ability to make a meaningful technical contribution to the organisation, not only in terms of their experience and expertise, but also for their willingness to devote time and energy to their roles. For example, among the reasons that our various oversight Committees work extremely well is that members make themselves available for meetings at all times, enabling rapid reaction to any situation that arises. This is why the selection of Board members can take time. We are currently in the process of looking for talented individuals with the right kind of expertise to fill a number of Board positions.

CSI/CSR

The BIHL Group devotes 1% of after-tax profit into CSI with projects selected and managed by the BIHL Trust. The Trust has been doing meaningful and impactful work in terms of poverty alleviation, education and the youth. There is a detailed overview about the Trust's operations in this Report.

It is worth noting that the BIHL Trust is now becoming a victim of its own success, as we are now at a point where we are fully utilising all funds available for the CSI commitments. However, the requests keep coming and we, sadly, have to turn down some. We will try, in the coming year, to review the Trust and ensure it can continue to meet its mandate.

Looking Ahead

Although Botswana may be heading into an election year, we anticipate that the political situation will remain stable and that whatever happens will have little, if any, impact on the Group. However, there is no getting away from the fact that there is a great deal of political and economic uncertainty in many other parts of the world – the United States, China and the UK – which could impact the Botswana economy and, ultimately, the Group as well.

There is little we can do about these external currents. What we can do is ensure that each Group Subsidiary is as well placed as possible to deal with any eventuality. In addition, we believe that it will be in the Group's best interests to further diversify. To this end, we are continuously looking at other investment options to diversify our range of products and services.

We also have confidence in the ability of our Associate companies to continue delivering on our investment in them. Nico Holdings in Malawi has stabilised well and seems set to continue on this path; under its new strategy, Letshego Holdings is well placed for a turnaround; and FSG continues to perform well in both Botswana and Zambia.

Gratitude

The BIHL Group is 44-years old, having first begun business in 1975. It remains the largest financial services group in Botswana today and this achievement would not have been possible without the loyal support of our customers. We thank them most sincerely for the trust they have put in us to take care of their investments so that they can look forward to a comfortable old age and true peace of mind.

We are also extremely grateful for the loyalty and commitment of our Staff, who have gone through several turbulent years with passion, purpose and resolve. From a personal perspective, I would like to thank my fellow Board members for their unwavering support afforded to me, as well as their unstinting willingness to give their time and expertise to the Group. With the calibre of Staff, Executive team, and Board members we are fortunate enough to have, the future of the BIHL Group looks positive indeed.

Mrs. Batsho Dambe-Groth
The BIHL Group Chairman

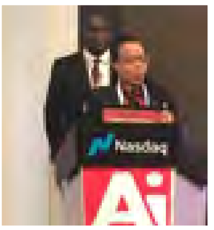
With the calibre of Staff, Executive team, and Board members we are fortunate enough to have, the future of the BIHL Group looks positive indeed....

Group Chief Executive Officer's Report

Globally, 2018 started with optimism and bullishness on the back of US tax cuts and encouraging fundamentals. However, with the escalation of trade tension between the USA and China and uncertainty on the Brexit deal, the optimism was short-lived; there was heightened volatility of capital markets and investor confidence sank.

At home, the ascension of a new President spurred general optimism, boosting investor sentiment. However, as is to have been expected, this did not translate to immediate improvement in the challenging economic environment: the capital markets failed to respond positively, and ended the year in the red, with the DCI losing ground.

The BIHL Group #AppForChange competition launched in November 2018, held in association with Botswana Innovation Hub. Through this platform, the BIHL Group works to lead by example, driving greater technological advancement in today's digital revolution.



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

Ms. Catherine Lesetedi
The BIHL Group Chief Executive Officer

Group Chief Executive Officer's Report (continued)

For us at the BIHL Group, 2018 was a challenging but rewarding year. Although our financial results are somewhat muted, they are indicative of a resilient portfolio and diversified revenue streams each contributing to the success of the Group results in these challenging times. The Group registered Profit After Tax of P371 million, a 6% increase over the same period last year. Operating profit increased by 12% to P375 million, and all business lines contributed positively to this performance. Core earnings increased by 11% to P383 million, while profit attributable to equity holders increased by 6% to P371 million. Overall, Group expenses were well maintained and aligned with the continued strategy to manage expenses.

As we approach the end of our Tomagano strategy, we can look back with satisfaction that we have indeed achieved most of what we had set out to achieve: a resilient and diversified portfolio delivering on growth and sustainable profits. Additionally, we look back and take pride in the resilience and diversity of the skills of our people, who collaborated through stressful conditions to deliver the excellent results that have become the BIHL Group hallmark.

It has become something of a cliché to look back on the now completed financial year and remark that it was "difficult", for this is often the case; however, the fact remains that the Group, its Subsidiaries and its Associate companies, all faced a variety of challenges in the review period. These ranged from general pressures on the economy to factors that are specific to each individual company's operations. Nevertheless, we can look back on a year in which the Group as a whole produced a satisfactory 14% return on embedded value compared to the prior year (2017: 7%). Profit attributable to Ordinary Shareholders increased by 6%. During the period under review, Embedded Value grew by 3% from P4.31 billion to P4.42 billion and Recurring Premium income; the bedrock of our future profits, grew by 7% from P1.22 billion to P1.31 billion. Assets Under Management grew to P27.5 billion, an increase of 3%. All of this was achieved in an increasingly competitive and challenging economic environment.

The financial results, unpacked later in this Integrated Annual Report, reflect on the year that was. I believe that as we come to the end of our five-year Tomagano strategy, it is appropriate to take stock of how far we have come in achieving our goals, and the impact this is having on the Group's overall performance.

Initially, the strategy was focused on diversifying the BIHL Group portfolio in order to become a broad-based, regional financial services group.

The first gap identified in pursuing this strategy was our lack of a general lines insurance business. This is what prompted our January 2016 acquisition of 50% of Teledimo, giving us an indirect stake in Botswana Insurance Company (BIC). This was followed by our concerted foray into becoming a regional operator, with our acquisition of Sanlam's stake in Malawi-based Nico Holdings, which in turn, also gave us entry into five countries in the region. We also increased our stake in the delisted Funeral Services Group (FSG).

As a result of these acquisitions, the Group has gone some way towards achieving our broad-based financial services and regional aspirations, but there are still some gaps in our portfolio that may be worth the Group's consideration. Some may think banking is one, but with banking being such a specialised undertaking, our strategy is to rather partner with established banks in order to capitalise on bancassurance opportunities.

However, in terms of the new Retirement Funds Act, there is now an opportunity for the Group to consider Pension Fund Administration as a new revenue stream. While Botswana Life has a Retirement Annuity Fund, which it is administering in terms of its existing insurance contract, the new Act suggests that there may be a need for the Retirement Annuity Fund to be administered by a separate company. This could form the basis for the establishment of a Pension Fund Administration company within the BIHL Group fold. No decision has yet been taken in this regard, but it is a consideration that dovetails with our new five-year strategy.

We can look back with satisfaction that we have indeed achieved most of what we had set out to achieve.

Botswana Life

Botswana Life Limited est.
1975

Staff Count
288

Sales Advisors
692

Revenue in 2018
P2.85bn

Operational Review - Subsidiaries

Botswana Life

Botswana Life had an eventful year and produced pleasing results in challenging circumstances.

One of the highlights was the progress made with the new Affluent Division which was established to meet the needs of a large segment of middle- to upper-income individuals. This is a sizeable market, but it has been largely underserviced by the industry. Although growth of the Affluent Division has been muted to date, it has started to gain traction and we are confident that the potential for significant growth we identified prior to its establishment will be realised in the future.

This is thanks to the efforts of the Botswana Life team who spent time developing relevant and nuanced products for this segment. For example, we launched a product with life cover that can go as high as P15 million. In addition, we introduced an innovative new product, the Botswana Life International Investment Plan (BLIIP). This product, a USD denominated offshore investment plan with a bonus feature for clients to self-manage their funds, is the first of its kind for the Botswana market. It allows clients to invest a minimum of $5,000 across a spectrum of 100 funds.

We are proud to be trailblazers of this industry and to be able to introduce game-changing products into the market. In an industry where you must constantly reinvent products and services to meet and align with the ever-changing needs and wants of the market, it brings us great joy to be right on target. The development of this product demonstrates our commitment to innovation and addressing customer needs in what continues to be a challenging business environment.

With the right products in place, Botswana Life is in the process of addressing the challenges associated with developing a whole new cadre of advisors with the right skills to tackle this demanding but potentially enormously lucrative market segment.

Another highlight of the review period was the appointment of a new leader, Mr. Ronald J. Samuels, as CEO at Botswana Life. We searched over a lengthy period for the right individual with the right skill set for this very important role in our Group. I am confident that with his 20 years of experience at Sanlam, much of which was spent in the key area of distribution and agent productivity – an area of concern for the company – Ronald will make a valuable contribution to Botswana Life's future prosperity.

Botswana Life achieved an 11% increase in operating profit, despite challenges on new business volumes on the individual life portfolio and a poor claims experience in group life portfolio. However, thanks to its well diversified portfolio, there were some business lines that performed better than the prior year, contributing to a satisfactory operating profit. The previous redundancy exercise, which resulted in reduced staff costs, also had a positive impact on the company's profit results.

Our Value of New Business, which measures the future profits of the new business, dropped marginally by 1%, a resilient performance given the challenge on low new business volumes. Our recurring premium, which is now well ahead of the P1 billion mark, also continued its upward trajectory, growing by 8% over 2017.

Looking ahead, we believe we have laid a strong foundation for the future, and we are well positioned for growth and consolidation. Our focus will be mainly on consumer education, customer delight, use of technology for ease of business and driving efficiencies, and lastly raising the bar on the quality of advice that our distribution partners provide to the public.

Group Chief Executive Officer's Report (continued)

Bifm

The Asset Management company had a relatively good year, overcoming many of the setbacks it had experienced in the past.

This includes having to set up a new investment team after losing a number of key staff members at the end of 2017. We are pleased that what we saw as a challenge turned out to be an opportunity for our young talent, some of whom were promoted to fill vacant roles and are performing well above expectations. These individuals stepped up to the plate without hesitation, and – working closely with Sanlam's investment experts initially – have proved more than capable of meeting the needs and expectations of our clients. We were also able to recruit a high-level Chief Investment Officer, and that has helped put the Bifm Investment team on an excellent footing going forward.

Indeed, this combined with strong governance structures and sound processes that were in place, meant that our clients were largely unaffected by the internal upheavals that took place within Bifm. Instead, they saw a very dynamic Asset Management company that continued to provide the level of service they expect. In concrete terms, client confidence in Bifm's ability is reflected in the fact that Assets Under Management increased by 3% to P27.5 billion – an excellent achievement in an increasingly crowded and competitive market.

This experience has clearly shown that businesses and decisions are not necessarily built around individuals, underscoring the point that sound governance structures underpinned by solid processes are the armour that every business needs. We are pleased that Bifm continues to do well in peer reviews and has been consistently ranked highly for performance delivery in independent surveys of Asset Management companies by the Alexander Forbes Asset Manager Review – and is well placed to continue on this path.

Although Bifm's operating profit showed a year-on-year decline of 3%, this was nevertheless a marked improvement from the half year 7% decrease year-on-year and demonstrated the company's resilience in a tough operating environment.

A key contributing factor to Bifm's strong performance in the review period was the Unit Trust business, which has continued to increase steadily since it was first introduced in 2013.

Like Botswana Life, Bifm faces an increasingly competitive environment. It is pleasing therefore that despite this challenging environment, the company was able to retain all its existing mandates while attracting new ones during the year under review.

Lastly, with the support of the Board and shareholders, the company successfully implemented a Citizen Economic Empowerment initiative, which saw 25.1% of the shareholding being set aside for key employees. This is an encouraging initiative intended to assist with the attraction and retention of the best skills in the industry and once again, fortifying Bifm's ability to compete successfully in the future.

Legal Guard

Legal Guard continued to improve in terms of its performance. Despite pressures on revenue generation, Legal Guard achieved an operating profit of P4.1 million for the year, up from P1.4 million for 2017. The challenge going forward will be to find new, cost-effective distribution channels, essential for a business that by its very nature is volume-driven. Nevertheless, the progress made to date in the face of extremely fierce competition, is pleasing.

The year ahead will see a more assured approach to getting the Legal Guard brand top of mind for consumers, with a far more aggressive and targeted marketing and advertising campaign to be launched.

Bifm

Bifm est.

1975

Staff Count

37

AUM

P27.5bn

LEGAL GUARD
YOUR KEY TO JUSTICE

Legal Guard est.

2004

Staff Count

40

Operational Review – Associate Companies

Nico Holdings

As a Malawi-based company, Nico's potential for growth in a relatively untapped market is considerable. During the review period, its contribution to the BIHL Group was pleasing despite our ongoing concerns about its banking operation in Malawi. However, the Life Business as well as the Asset Management and general lines businesses are faring well in the Malawian economy that is under enormous pressure at present. We have identified opportunities to introduce new products, although this will require an investment in market education there. Nevertheless, we are satisfied with the performance and potential of our Malawi investment.

BIC

Our investment in BIC has enabled the BIHL Group to deliver a one-stop life insurance, general insurance and Asset Management service. This is contributing to our growing status as the insurance partner of choice for many institutional clients. The company's performance in the review period was satisfactory, despite it going through a difficult and costly restructuring. We are confident that BIC is well placed to deliver continued growth in the future.

FSG

FSG also did well in 2018 and continues to contribute steadily to the BIHL Group results. While its South African expansion did not quite meet expectations, largely as a result of certain unanticipated practices in that country, we nevertheless expect its South African operations to break even in 2019.

FSG's foray into Zimbabwe has been negatively affected by political and economic turmoil that continues to plague the country, despite the ascent of the new President. Our view on Zimbabwe is to exercise caution and maintain a medium- to long-term view, given the current challenges.

On the other hand, the Zambian operation is doing very well and is contributing decently to FSG's bottom line. Along with FSG's extensive Botswana operations, it will continue to be the source of most of FSG's revenues.

Letshego Holdings Limited

Letshego has had to contend with several challenges, including implementation of IFRS9, once off impairments and an increase to its effective tax rate which had a negative impact on its profit-after-tax result. This has had a direct impact on the BIHL Group's results. Nevertheless, I believe that Letshego's new strategic direction will return the company to reasonable profitability.

Regulatory Compliance

Over the past year, the Botswana insurance industry had to contend with a changing regulatory environment.

The various Acts and Regulations, some of which came into effect in 2018 – the Insurance Industry Act, the Financial Intelligence Act, the Retirement Fund Act, the Anti-Money Laundering regulations, Know Your Customer (KYC) requirements and Due Diligence, to name a few – have had a significant impact on the business volumes. In addition to the above, several Bills are being contemplated for enactment and we expect the implementation to weigh down on our new business activity and increase the cost of doing business as these types of changes usually come with process and system change requirements.

Our challenge has been, and will continue to be, how we can work smarter in order to minimise the impact of the regulatory changes on our operations and our ability to write new business, while remaining compliant. For us, compliance is non-negotiable. We are placing many more hours and resources behind efforts to position the BIHL Group and all its Subsidiaries, Associates and investments as best-in-class in terms of compliance.

> **"I believe that Letshego's new strategic direction will return the company to reasonable profitability."**

Governance and the Board

Issues of governance, compliance and regulatory matters receive continuous attention from Management and the Board of Directors. From a global and shareholder perspective, the level of oversight continues to improve. The value we place on good governance is not merely to comply with the regulatory environment – it touches everything we do, even the manner in which we treat our policyholders.

Ethics and good governance have become very topical and central to well-functioning Boards and enterprises. In line with this thinking, we will be providing refresher training on ethics, and relaunching our hotline to ensure everyone remains constantly aware of their ethical obligations regardless of the position they hold within the organisation. The introduction of King IV corporate governance requirements to the Group will also require additional training for all Group employees. We are looking at our risk maturity profiles and re-examining our compliance maturity.

It is a lot of work, but it strengthens the organisation and ensures that our decision-making processes are robust and treat everyone fairly.

Human Resources

The review period was one of renewal and laying the foundation for a high-performance culture across the BIHL Group and significant strides were made in respect of the people management agenda.

The year started with the launch of a culture transformation initiative at Botswana Life, the Group's largest subsidiary. This initiative gave staff an opportunity to reflect on the culture that existed within the company, and the culture that they would want to have going forward. This programme has made such a significant impact at Botswana Life, that it will be rolled out to the other businesses in the BIHL Group stable in the coming financial year.

As part of its commitment to being an Employer of Choice, numerous staff engagements were held during the review period. This led to the development of an Employee Value Proposition (EVP), which we believe is a game changer for the Group as it recognises our staff as a key strategic partner in the execution of our business strategy. To make the EVP a living and exciting commitment, six EVP Pillars have been developed with several activities underpinning each Pillar. This has all been very well received by employees across the Group, who appreciate the overt recognition given to the fact that we can only achieve our business strategy when our people are at the centre of everything that we do. Through the EVP, the BIHL Group will continue to make the meaningful and sustainable changes that enable the Group to attract and retain the best and brightest talent in the country, and to empower its people to be the best they can be.

Corporate Social Investment (CSI)

Our CSI investment continues to create impact through the BIHL Trust. Since its inception in 2007, the BIHL Trust has ploughed back over P23 million into community projects in the areas of:

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

In this reporting period, we continued with the commitments we had made in 2017 through projects such as Maru-a-Pula Orphanage and Vulnerable Children's (OVC) Fund, Adopt-a-School Initiative and the BIHL Trust Thomas Tlou Scholarship, all in the education space.

The one project that excites me most and make's me extremely proud is the BIHL App-for-Change, an initiative kicked-off in early 2018 in collaboration with Botswana Innovation Hub (BIH). Over 100 young people submitted their vision and proposals for the development of the App. After an initial orientation process, the young developers were divided into 18 teams to produce initial ideas for the App. Following rigorous assessment by a panel of App development specialists from around the world in both animation and gaming, the number of submissions was whittled down to five. From this, a winner was chosen. The winning team is in the process of building the App, which is scheduled for launch towards the end of the current year.

Thanks

On a personal note, I would like to thank my team for the unwavering support they gave me as I tried to balance the demands of my two roles – CEO of the Group and Acting CEO of Botswana Life - during the year under review. It was a truly challenging but rewarding experience, which I could not have done successfully without the support of my colleagues.

With a heartfelt thank you to their diligence and initiative, both organisations - Botswana Life and the BIHL Group - ended the year with pleasing results. I would also like to thank all members of staff throughout the Group for keeping the organisation on track in a year that was filled with challenges.

My thanks also go to the BIHL Group clients, those who have collectively supported us for over four decades. We appreciate their feedback, both positive and negative, as this keeps us on our toes and gives us an opportunity to adapt where necessary and provide the level and type of services our clients expect.

I also have to express my gratitude to all our agents and brokers who traverse the length and breadth of this country to take our products to our customers.

My sincere and heartfelt thanks go to the Board of Directors for the support and wise guidance they offer the Management team. Finally, it would be remiss of me not to express my sincere appreciation to our major shareholder, Sanlam. Over the years, the BIHL Group and Sanlam have developed a close working relationship that benefits the Group in more ways than I can enumerate here. Suffice to say that they are a valued technical partner across the Group and the benefits of this are felt by our Clients, Management and every Employee.

As we continue on our journey through 2019, it is clear that some of the extraneous conditions that impacted our operations over the past few years are unlikely to disappear. However, with the ongoing support and commitment of all our stakeholders, the Group will be well placed to take on whatever the future may bring, with confidence.

Ms. Catherine Lesetedi
The BIHL Group Chief Executive Officer

Financial Report

This excellent return on Embeded Value (EV) can be attributed to several factors, not least of which was the growth in the value of In-Force policies in the Life Business. In addition, most of our underlying companies performed well, enabling them to contribute positively to the return on EV.

The BIHL Group continues to do well in terms of its solvency and stability, with capital cover of 4.7 times (based on an internal requirement of 2 times CAR for the life business) as at 31 December 2018 compared to 5.4 times at the same time in the previous year. The slight decline is attributable to the payment of a special dividend during the year, as well as Botswana Life's increased capital requirements. Nevertheless, we are comfortable that the Group is operating with capital cover that is well in excess of statutory requirements and our own internal more stringent capital cover requirements.

Our largest business, Botswana Life, performed particularly well and contributed most to the 13% year-on-year rise in the Group's operating profit. This can be attributed, in part, to the completion of the retrenchment process carried out in the prior year, which entailed the payment of separation costs. This is in addition to good claims experience for the Credit Life business and reduced new business strain on individual life lines. Recurring premium income grew by 8%, representing a sustainable source of profits in the long term.

Also pleasing was the performance of Legal Guard which, despite pressures on revenue generation, achieved an operating profit of P4.1 million for the year, up from a P1.4 million achieved in 2017.

While Bifm experienced a decline in profitability, the company ended the year in a far stronger position than had been anticipated at the half-year. At that time, Bifm's operating profit was reflecting a year-on-year decline of 7%, but after a sterling effort in the second half, they clawed back some of the losses and ended the year with a 3% reduction in operating profit. This can largely be attributed to an ever-tightening squeeze on fee margins and subdued management fees from the Zambian operations, which felt the impact of poor equities performance – fees in Zambia are linked to the investment portfolio performance.

The "star performer" for the Group, albeit off a very low base, was the Unit Trust initiative, which experienced growth of 28% over the previous year in Profit Before Tax terms. At the time of the launch of the Unit Trust initiative, it was felt that this segment of the Asset Management business could represent good future growth for the company – and it has not disappointed.

The Group expenses were kept in check with Administration expenses falling by about P16 million year on year. This represents a reduction of 5% compared to prior year; Management is committed to continuously interrogating the operations and identifying the most efficient ways to deliver value to the Group's stakeholders.

The Group's share of profits from Associates declined year-on-year mainly due to another poor set of results from our largest Associate, Letshego Holdings Limited. Letshego continues to deal with the fallout of the rise in its effective tax rate over the past two years from about 27% to 50%. This has negatively impacted the Group's valuation assumptions around Letshego resulting in an impairment of the investment by a total of P114 million.

Most other Group Associates, however, posted decent results.

Nico Holdings in Malawi outperformed our expectations. Its troubled bank is starting to post profits and its Life Insurance operation is performing very well, and indeed better than expected, and is the company's main contributor to profitability. Its fledgling Asset Management company experienced a credible and encouraging 40% growth in profitability and appears to hold excellent growth prospects for the Malawi business.

Another major Associate, BIC, also performed well, though the BIHL Group's share of Profits Before Tax declined slightly to about P9 million from P10 million in the prior year. However, this was not totally unexpected. As was indicated at the half year, BIC embarked on a focused restructuring exercise costing close to P3 million. While this resulted in reduced profits, it has positioned the business to become more profitable going forward. We are therefore satisfied with BIC's performance, as well as with that of Funeral Services Group (FSG), which has continued to deliver stable profits and dividends.

> **"The Board declared an ordinary dividend amounting to P189 million gross of tax."**

Overall, however, the share of profits of Associates is significantly lower than expectations – some 28% down on the previous year – due mainly to the challenges experienced at Letshego as alluded to earlier.

Given the continued strong performance and capital position, the Board declared an ordinary dividend amounting to P189 million gross of tax. In addition, following the issuance of an Asset Management license to Bifm, the statutory capital previously held under the insurance licence has been released as a special dividend amounting to P45 million. The Group continues to return good value to the shareholders.

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

Mr. Kudakwashe Mukushi
Chief Financial Officer, the BIHL Group

Economic and Financial Review

The year began with optimism and bullish sentiment due to US tax cuts, encouraging macroeconomic data and a measured approach towards rate normalisation by the European Central Bank (ECB). This firmed global inflation and growth expectations, driving risky asset prices up. Late in February, policy uncertainty led to increased market volatility, causing most asset classes to end the quarter in modestly negative territory.

The greatest contributors to market volatility were aggressive protectionism by the US Government, the less accommodative stance of the Federal Reserve and concerns around the regulation of technology companies. Capital markets fared less well in the final quarter of 2018 with heightened volatility, escalating trade tensions between the US and China, rising interest rates in the US, the risk of a no-deal Brexit, and rising geopolitical tensions, these all contributed to dampened investor sentiment. This led to a large sell-off of developed market equities, which suffered a double-digit decline during the last quarter of 2018, in favour of emerging market equities. This caused the International Monetary Fund (IMF) to lower global growth forecasts from 3.9% to 3.7%, citing escalating trade tensions and the reversal of capital flows to emerging markets with weaker fundamentals and higher political risks.

Locally, economic growth expectations were upbeat with the World Bank and the Ministry of Finance and Economic Development projecting improved growth in 2018. However, persistence of a difficult trading environment contributed to bearish capital market sentiments with domestic equities in decline during the year; this was offset somewhat by local bonds rallying.

The change in Government leadership saw renewed positivity in investor sentiment on the back of a more business-friendly Government with more accommodative policies but this did not immediately translate into an improved macroeconomic environment. Business activity continued to be hampered by high unemployment, low consumer discretionary income and restrictive policies.

As the year ended, the local environment displayed renewed investor sentiment beginning to translate into positive capital market inflows with local equities posting positive returns after five consecutive quarterly declines. Local bonds were once again positive.

Inflation remained within the Central Bank's target range having peaked at 3.8% in November on the back of increased fuel prices; this despite a decrease in international oil prices. The Bank of Botswana maintained the Bank Rate throughout the year owing to favourable medium-term inflation outlook and suppressed demand side inflationary pressures. For the year, the Pula depreciated 9.0% against the US Dollar, while it appreciated 6.6% against the South African Rand.

Financial Overview

Operating profit for the Life business increased by 12% compared to the previous year due to once-off separation costs incurred in 2017, which did not recur this year and improved profitability resulting from reduced new business strain on the individual life book, as well as improved claims experience on the credit life book. The Asset Management business operating profit for the year is 3% down on the prior year due to lower fees earned by the Zambian business, driven by under performing equities; general insurance business was positively impacted by lower claims. Share of profits of Associates and joint ventures decreased by 28% due to increase in the effective tax rate for Letshego Holdings Limited, which also led to the drop in fair value for the business. The other Associates, FSG, BIC Limited and NICO, reported satisfactory results compared to last year. Investment income, which comprises dividend income and interest income, reduced by 37% compared to the prior year reflecting a reduction in excess capital held in the Group over time.

Return on Group Equity Value (ROGEV)

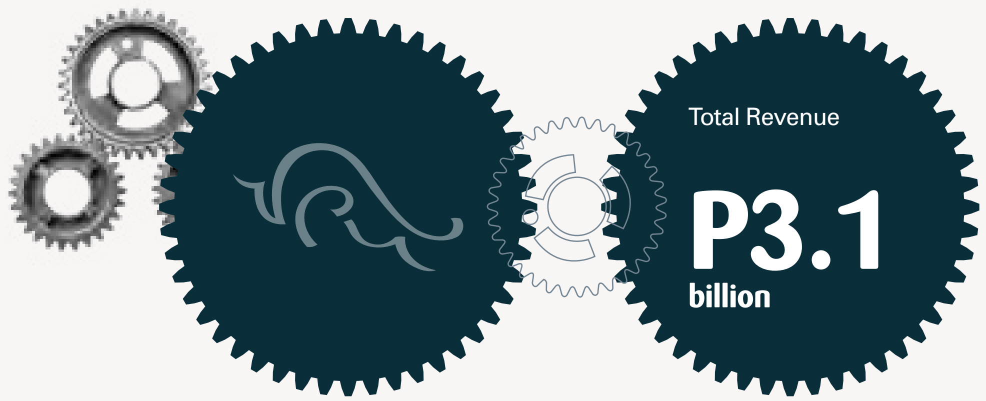
The key performance measurement of the BIHL Group is ROGEV, which is reflective of the creation of shareholder value through achieving sustained levels of optimised returns. This measure of performance is regarded as the most appropriate given the nature of the Group's business and incorporates the results of all the major value drivers in each of the different businesses. The performance indicators used by the Group to measure the success of the main components of its strategy are classified into the following categories:

EARNINGS
(EARNINGS GROWTH AND COSTS EFFICIENCIES)

SHAREHOLDER VALUE
(ALL STRATEGIC FOCUS AREAS)

CAPITAL AND SOLVENCY
(OPTIMAL USE OF CAPITAL)

BUSINESS VOLUMES
(FUTURE EARNINGS GROWTH)



Economic and Financial Review (continued)

Shareholder Value

The BIHL Group delivered an improved set of results; however, it was the performance of the core operating Subsidiaries was heartwarming as it showed resilience in tough economic conditions. The focus on utilisation of capital and particularly the withdrawal of capital from non-core assets continued during the course of the year, resulting in the payment of a special dividend.

We are of the view that this approach allows for the most sensible strategy to achieve long-term value creation. ROGEV was 14% (2017: 7%), which is significantly above prevailing inflation levels. ROGEV was impacted by an impairment of the investment in Letshego Holdings Limited, which reduced the Net Asset Value contribution to the matrix. Value of In-force business contributed significant positives that ensured the ROGEV for the year remained in the positive and above inflation. The strong capital adequacy position is supportive of our view that the Group is well positioned for both organic and inorganic growth into the foreseeable future. Our capital position remains strong, with the business covered 4.7 times (December 2017: 5.4 times).

Business Volumes

	2018 P'000	2017 P'000
Life insurance business:		
New Recurring	259,727	279,864
Single	1,035,400	1,079,671
Total New Business	1,295,127	1,359,536
New recurring	1,039,093	938,260
Single	10,172	19,517
Total Existing Business	1,049,264	957,777
Outflows	(1,487,084)	(1,374,572)
Net funds flows	857,307	942,741
Asset Management Business		
Inflows	2,991,908	1,278,518
Outflows	(2,762,057)	(1,454,542)
Net Funds Flow	229,851	(176,024)
General insurance		
Inflows	41,662	44,935
Outflows	(12,915)	(17,237)
Net Funds Flow	28,747	27,697
Total net funds flows	1,115,904	794,414

The Life business experienced a decrease in net funds flow to P857 million (2017: P942 million) for the year ended December 2018. Benefits paid to policyholders during the year increased to P1.5 billion from P1.4 billion in 2017. The Asset Management business, Bifm, experienced an increase of 131% net funds flows to P230 million.

Value of New Business and New Business Margin

	2018 P'000	2017 P'000
Value of new covered business	146,677	148,565
Present value of new business premiums	2,095,573	2,223,492
New covered business margin	7.00%	6.68%

The value of new Life business decreased by 1% to P147 million compared to the prior year. Value of new business was subdued mainly due to lower new business volumes for individual life and annuities

Earnings

Analysis of earnings	2018 P'000	2017 P'000	% change
Operating profit	374,864	333,411	12%
Investment income on shareholders's assets	8,341	13,266	-37%
Core Earnings	383,205	346,677	11%
Profit on sale of associate	-	12,993	-100%
Share of profit of associates and joint ventures net of tax	52,871	72,927	-28%
Investment losses surpluses on shareholders assets	25,937	(7,950)	-426%
Profit before tax	462,013	424,647	9%
Tax	(95,694)	(76,091)	26%
Profit after tax	366,319	348,556	5%
Profit for the year from discontinued operations	4,069	1,041	291%
Profit attributable to equity holders	370,388	349,597	6%
Minority shareholders' interest	144	(270)	-153%
Profit	370,532	349,327	6%

Dividends Paid

P186.5 million

Profit Before Tax

+9% to P462 million

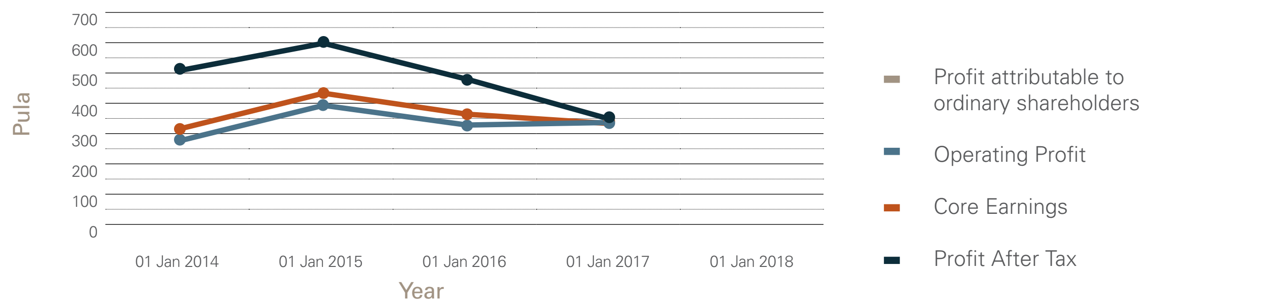
Assets Under Management

+3% to P27.5 billion

Five year review of core earnings

	2018 P'000	2017 P'000	2016 P'000 Restated	2015 P'000 Restated	2014 P'000
Operating profit	374,864	333,411	333,152	385,884	287,199
Investment income on shareholders's assets	8,341	13,266	38,621	34,078	32,448
Core Earnings	383,205	346,677	371,773	419,962	319,647
Profit on sale of Associate	-	12,993	-	-	(14,946)
Share of profit of Associates and joint ventures net of tax	52,871	72,927	224,670	186,728	253,618
Investment losses surpluses on shareholders assets	25,937	(7,950)	(21,076)	114,939	54,821
Profit before tax	462,013	424,647	575,367	721,629	613,140
Tax	(95,694)	(76,091)	(100,579)	(133,942)	(107,495)
Profit after tax	366,319	348,556	474,788	587,687	505,645
Profit for the year from discontinued operations	4,069	1,041	524	-	-
Profit attributable to equity holders	370,388	349,597	475,312	587,687	505,645
Minority shareholders' interest	144	(270)	1,199	2,627	6,108
Profit	370,532	349,327	474,113	585,060	499,537

Five year review - P million



Economic and Financial Review (continued)

	Year to 31 Dec 2018 P'000	Year to 31 Dec 2017 P'000	% change
Life Insurance business	281,098	256,648	10%
Asset Management business	71,082	44,822	59%
Associates	52,871	72,927	-28%
General Insurance	4,069	1,041	291%
Group Expenses	(39,311)	(33,542)	17%
*Other	723	8,301	-91%
	370,532	349,327	6%

*Other - refers to Unit Trust and charitable trust

Botswana Life

Botswana Life Insurance Limited's financial year ended 31 December 2018 remained stable despite a challenging economic environment, with Net Premium income of P2.35 billion. Recurring premium income grew by 8% from P1.25 billion to P1.35 billion, representing a sustainable source of profits in the long-term. The value of new business, which represents the present value of future profits from new business premiums written during the year, decreased by 1% from prior year owing to increased pressure on margins. Operating Profit improved by 11% over prior year due to improved profitability resulting from reduced new business strain on the Individual Life book and improved claims experience on the Credit Life book.

Bifm

Bifm Group's operating profit showed a year on year decline of 3%, an improvement from the half year performance, which showed a 7% decrease year on year, demonstrating the Group's resilience in a tough operating environment. While income performance in Bifm and Zambia showed a year-on-year increase, the businesses incurred some business-critical expenses, resulting in higher costs in 2018, which coupled with an un-favorable Kwacha performance, weighed down the operating profit number. Total Assets Under Management grew by 3% year on year to P27.5 billion, broken down into: Bifm P23.2 billion and Zambia P4.3 billion.

Legal Guard

Despite pressures on revenue generation, Legal Guard has achieved an operating profit of P4.07 million for the year, up from a P1.04 million for 2017. This has been achieved as the benefits of initiatives, which began in prior years continue to be realised. The business has continued to improve its claims administration processes resulting in a significant decline in claims costs. The business has also achieved a 9% year on year decline in operating expenses following the restructuring exercise undertaken in 2017 and a continuing focus on managing operating costs. Looking forward, Legal Guard will continue to focus on the implementation of its current strategic plan, with emphasis on arresting and reversing the recent trend in top line performance. Legal Guard also continues to focus on improving internal processes to enhance business agility and improve customer service.

Return on Embedded Value

Embedded Value earnings	2018 P'000	2017 P'000
The Embedded Value earnings are derived as follows:		
Embedded Value at the end of the year	4,419,430	4,307,359
Embedded Value at beginning of the year	4,307,359	4,339,385
Change in Embedded Value	112,071	(32,025)
Movement in capital an Opening NAV reinstatement	31,965	(5,073)
Dividends and new capital	457,441	342,906
Embedded Value earnings	601,477	305,808
Return on Embedded Value	14%	7.0%

Economic and Financial Review (continued)

Return on Embedded Value measures the return earned by shareholders on shareholder capital retained within the business, adjusted for dividends paid, and is calculated as the Embedded Value earnings divided by the opening Embedded Value. The Group managed to achieve a return of 14%, which was an improvement compared to the prior year.

CAPITAL AND SOLVENCY

The Group remains well positioned in terms of capital management and solvency. This was taken into consideration by the Board when resolving a final dividend. The Board has confidence in the Group's ability to maintain dividends at this level while ensuring that its capital position remains solid and aligned with future capital requirements whilst sustaining healthy levels of Return on Group Equity Value. The issuance of an Asset Management license for Bifm saw a release of some of the statutory capital held by the company under the insurance license; the Board has resolved to pay out this released capital to shareholders as a special dividend.

ORDINARY SHAREHOLDERS' ASSETS

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

Ordinary Shareholders' Assets

	Actual December 2018	Actual December 2017
Assets		
Property and equipment	155,320	155,350
Intangible assets	99,454	92,273
Investments in Associates and JVs	1,577,409	1,714,610
Non-current assets held for sale	47,688	54,222
Investments	873,895	963,381
Investment properties	35,913	33,706
Equity investments (local and foreign)	15,971	53,852
Interest bearing investments	40,393	69,544
Other loan advances	304,535	252,081
Money market instruments	477,083	554,198
Trade and other payables	(26,175)	(205,710)
Working capital cash	112,844	184,254
Minority interests	(21,870)	(16,823)
Total	2,818,565	2,941,557

Embedded Value

1. DEFINITION OF EMBEDDED VALUE

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

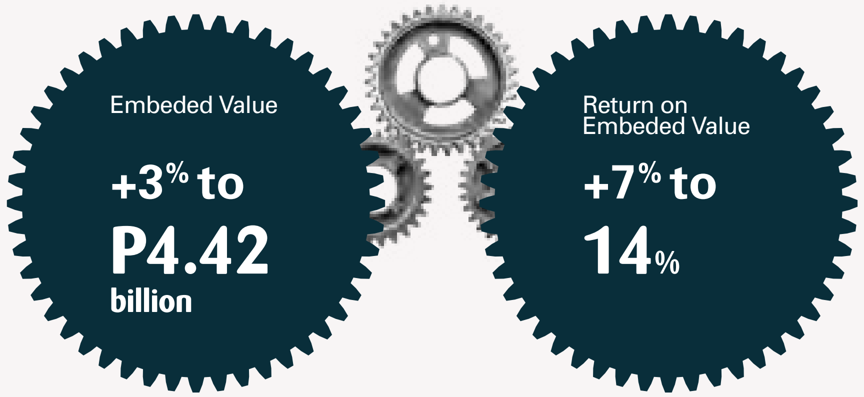
The value of the shareholders' net assets

Fair value adjustments

The value of the in-force business

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

The Value of New Business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2018, 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 (continued)

2. EMBEDDED VALUE RESULTS

	31 Dec 2018 P'000	31 Dec 2017 P'000
Shareholders' net assets excluding goodwill	2,755,575	2,875,604
	2,755,575	2,875,604
Value of In-force business	1,663,855	1,431,756
Value before cost of capital	1,623,934	1,500,004
Fair value adjustments	176,562	56,362
Cost of capital	(136,641)	(124,611)
Embedded Value	4,419,430	4,307,359
Required capital	584,948	529,539
Required capital ratio	4.7	5.4
Embedded Value per share (Pula)	15.65	15.25

3. EMBEDDED VALUE EARNINGS

	31 Dec 2018 P'000	31 Dec 2017 P'000
The Embedded Value earnings are derived as follows:		
Embedded Value at the end of the year	4,419,430	4,307,359
Embedded Value at beginning of the year	4,307,359	4,339,385
Change in Embedded Value	112,071	(32,025)
Movement in capital an Opening NAV reinstatement	31,965	(5,073)
Dividends and new capital	457,441	342,906
Embedded Value earnings	601,477	305,808
Return on Embedded Value	14%	7.0%
These earnings can be analysed as follows:		
Expected return on life business in-force	127,688	126,292
Value of New Business	158,260	159,368
Value at point of sale	146,677	148,516
Expected return to end of year	11,583	10,852
Operating experience variances	73,064	(38,224)
Mortality/Morbidity	25,121	18,253
Persistency	2,714	(14,059)
Expenses	327	(31,487)
Other	44,902	(10,931)
Operating assumption changes	45,293	112,003
Mortality/morbidity	70,156	19,180
Persistency	22,037	1,347
Expenses	(7,977)	35,918
Other	(38,924)	55,558

	31 Dec 2018 P'000	31 Dec 2017 P'000
Embedded Value earnings from operations	404,305	367,873
Investment variances	27,044	38
Economic assumption changes	(19,415)	33,285
Interest and Inflation	(3,297)	2,449
Risk discount rate	(16,118)	30,835
Growth from Life business	411,935	356,564
Return on shareholders assets	69,341	96,089
Investment Returns	(32,418)	(10,623)
Net profit non-Life operations	101,759	106,712
Change in shareholders' fund adjustments	120,201	(183,042)
Investment surpluses on treasury shares	(1,809)	2,798
Movement in present value of holding company expenses	10,415	19,331
Movement in fair value of incentive scheme shares	(26,143)	319
Movement in other net worth adjustments	137,738	(205,490)
Embedded value earnings	601,477	305,808
Fair value adjustments		
Staff share scheme	(22,767)	(33,182)
Non-Life operations write-up to fair value	225,183	87,445
Group holding expenses	(142,858)	(116,715)
Reversal of cross holding adjustment	117,004	118,813
Total	176,562	56,362
Consisting of		
Value of In-force business adjustments	176,562	56,362

4. VALUE OF NEW BUSINESS

The Value of New Business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2015, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

	31 Dec 2018 P'000	31 Dec 2017 P'000
Value of New Business at end of the year	158,260	159,368
Value at point of sale after cost of capital	146,677	148,516
Value at point of sale before cost of capital	154,859	154,753
Recurring premium	94,393	91,597
Single premium	60,466	63,156
Cost of capital at point of sale	(8,182)	(6,237)
Expected return to end of year	11,583	10,852

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 (BIHL) Group. The sensitivity of the Embedded Value to the risk discount rate is set out below.

Risk Discount Rate	**9.0%**	**10.0%**	**11.0%**
	P'000	**P'000**	**P'000**
Shareholder's net assets and fair value adjustments, excluding goodwill	2,752,174	2,752,174	2,752,174
Value of in-force business	2,125,972	1,663,422	1,589,498
Value before cost of capital	2,100,839	1,623,934	1,533,608
Fair value adjustments	176,129	176,129	176,129
Cost of capital	(150,996)	(136,641)	(120,239)
Embedded Value	4,878,146	4,415,596	4,341,671
Value of one year's new business at valuation date	118,342	146,677	106,635
Value before cost of capital	121,568	154,859	110,697
Cost of capital	(3,226)	(8,182)	(4,063)

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 2018	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**
	% p.a	**% p.a**	**% p.a**	**% p.a**
Risk discount rate	10.50	10.00	10.50	11.00
Overall investment return (before taxation)	8.08	7.58	8.08	8.08
Expense inflation rate	4.00	3.50	4.00	4.50

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 May 2018 by the company.

6.3 Expenses

A 4% expense escalation per annum was assumed going forward. (Dec 2017:3.5%)

6.4 Premium Escalations

The Embedded Value of In-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the period to 31 Dec 2018.

6.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 30 November 2018 by the company.

6.6 Tax

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

6.7 Mix of assets backing the Capital Adequacy Requirement

Asset Class	**31 Dec 2018**	**31-Dec-17**	**31-Dec-16**	**31-Dec-15**
Equities	0.0%	0.0%	0.0%	15.0%
Property	0.0%	0.0%	0.0%	10.0%
Fixed-interest securities	0.0%	0.0%	0.0%	25.0%
Cash	100.0%	100.0%	100.0%	50.0%
Total	100.0%	100.0%	100.0%	100.0%

6.8 Other Assumptions

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

7. SENSITIVITIES

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

	Value of in force	**Cost of capital over base Capital**	**Value before cost of capital Total**	**% Change**
Embedded Value at 31 Dec 2018	**P'000**	**P'000**	**P'000**	
Base	1,663,422	136,641	1,800,063	
Discontinuance rates decrease by 10%	1,657,033	143,707	1,513,326	(15.9%)
Future expenses decrease by 10%	1,642,737	136,641	1,506,096	(16.3%)
Mortality experience decreases by 5%	1,609,384	132,076	1,477,309	(17.9%)
Investment returns decrease by 1%	1,672,733	139,426	1,533,307	(14.8%)
Risk discount rate decreases by 1%	1,694,118	150,996	1,543,122	(14.3%)
Risk discount rate increases by 1%	1,535,659	120,239	1,415,420	(21.4%)

Value of one year's new business as at 31 Dec 2018	**Value of new business**	**Cost of capital**	**Value before cost of capital**	**% change**
Base	146,677	8,182	154,859	
Discontinuance rates decrease by 10%	153,812	8,976	162,788	5.1%
Future expenses decrease by 10%	150,484	8,802	159,286	2.9%
Maintenance and acquisition costs decrease by 10%	144,130	8,802	152,932	(1.2%)
Mortality experience decreases by 5%	133,838	8,918	142,756	(7.8%)
Investment returns decrease by 1%	149,256	9,001	158,257	2.2%
Risk discount rate decreases by 1%	147,045	7,757	154,802	(0.0%)
Risk discount rate increases by 1%	128,473	9,702	138,175	(10.8%)

Assumed management action

No management action has been assumed.

Report of the Independent Actuary Botswana Life Insurance Limited

The results presented in this Integrated Annual Report are based on the requirements of the Companies Act, which uses the bases set out below, referred to as the Published Basis. For 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 2018 the Assets and Liabilities under the two approaches are the same.

	31-Dec-18 P'000	31-Dec-17 P'000
Statement of Actuarial Values of Assets and Liabilities		
Total assets	12,346,132	12,020,560
Current liabilities and deferred tax	541,451	590,402
Net assets	11,804,681	11,430,158
Actuarial value of policy liabilities	9,859,346	9,392,358
Excess of assets over liabilities	1,945,335	2,037,800
Capital Adequacy Requirement	279,774	228,235
Capital Adequacy Requirement cover	6.95	8.93
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period as previously reported	2,037,800	2,098,670
Excess assets as at end of reporting period	1,945,335	2,037,800
Change in excess assets over the reporting period	(92,465)	(60,870)
This change in the excess assets is due to the following factors:		
Total investment return on shareholders' funds	2,800	(1,126)
Change in valuation methods or assumptions	(2,347)	31,574
Operating profits before tax	368,725	291,615
Taxation	(100,446)	(67,804)
Ordinary shareholders surplus for the period	268,732	254,258
Share of profit from an Associate company	8,755	(32)
Changes in reserves of Associates	(41,112)	(28,820)
Dividends and other capital movements	(328,840)	(286,276)
Total change in excess assets	(92,465)	(60,870)

Certification of Financial Position on Prescribed Basis

Changes in valuation methods or assumptions of assets and liabilities

Changes in basis and methodology had the effect of increasing the total value of policyholder liabilities by P 2.3 million as at 31 December 2018 (31 December 2017: reduced policyholder liabilities by P 31.6 million). The impact of valuation assumption and methodology changes on policyholder liabilities are summarised below

	2018 P million	2017 P million
Assumptions and model change	2.3	(31.6)
Mortality	(4.4)	1.4
Lapses	(0.8)	1.4
Expenses	5.7	(26.0)
Economic	2.4	(4.4)
Other	(0.5)	(4.0)
Total	2.3	(31.6)

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 NBFIRA's IPR1L: Prescribed Valuation Method for Long-term Insurance and IFRS4. Investment contracts without discretionary participation features have been valued in terms of IAS 39; Financial Instruments: Recognition and Measurement.

Instruments: Recognition and Measurement

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

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

Liability Valuation Methods and Assumptions

Insurance contracts and investment contracts with participation in profits on a discretionary basis

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

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

The value of policy liabilities at 31 December 2018 exceeds the minimum requirements in terms of the IPR1L.

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

Best estimate of Future Experience

The best estimate of future experience is determined as follows:

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

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

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

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

Where policyholders participate on a discretionary basis in the proceeds of the business, their reasonable benefit expectations have been interpreted as their share in the funds accumulated to them as a group over their in-force lifetime. To achieve a steady, build up via bonus declarations, it is necessary to apply some smoothing of investment returns experienced by these funds. For this purpose, a Bonus Stabilisation Reserve is held that represents the difference between the funds set aside and the value of policy liabilities based on declared bonuses, ensuring that excess investment returns are held back to 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 (2017: -7.5%).

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 8.55% per annum (2017:8.1%). A discount rate of 8.3% per annum (2017:7.8%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

Report of the Independent Actuary (continued)

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

Where relevant, liabilities include provisions to meet maturity, mortality and disability guarantees and for losses in respect of potential lapses and surrenders.
The discretionary margins held on individual life products are as follows:

- margin of 15% on surrender rates for Mompati product (2017:15%)
- margin of 290% (2017: 290%) on Mompati rider
- benefits claims rates. The high margin is historical and will be reviewed once new models are adopted in 2018.
- Additional reserves are created to ensure that no policy is treated as an asset No other discretionary margins are held on individual life products.

For annuities, no discretionary margins are held in respect of the compulsory margin items; however, an explicit discretionary reserve is created through a methodology approved by the Actuarial Committee and the Statutory Actuary. An explicit discretionary reserve of P296.2million (2017: P260.2million) 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 not reflecting fully factors affecting inflation in the medium to the long-term period.

The estimate for the future expected Botswana inflation was obtained from an economist. The assumptions quoted below are before the allowance for compulsory and discretionary margins and tax:

	2018 %	2017 %
Gilt return	7.0	6.5
Equity return	10.5	10.0
Property return	8.0	7.5
Cash return	6.0	5.5
Average return	7.9	7.4
Expense inflation	4.0	3.5

Bonus Rates

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

Policy Decrements

The assumptions (before adding margins) for future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the Company's recent experience. Provision has also been made for the expected occurrence of AIDS-related claims. The most recent lapse investigation was done as at the end of September 2018 with effective date of March 2018. The most recent mortality investigation was done in September 2018 using data with exposure in the period 1 January 2005 to 31 December 2016 for annuities and 1 January 2013 to 31 December 2017 for other individual life products.

Expenses

Provision for expenses (before adding margins) starts at a level consistent with the Company's current experience and allows for inflation of 4.0% (2017: 3.5%) escalation per annum.

Valuation Basis of Policy Liabilities for Investment Contracts Without Discretionary Participation Features

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

Valuation of Assets

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

Prescribed Capital Target (PCT)

The Prescribed Capital Target (PCT) is the minimum level of capital that is necessary to provide for more extreme adverse deviations in future experience than those assumed in the calculation of policy liabilities.

The PCT has been calculated on two bases in accordance with NBFIRA's IPR3L - Prescribed Capital Target (PCT) for Long-Term Insurers with the maximum of the two bases being used.

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

The ratio of accumulated surplus to PCT of P279.8 million (December 2017: P228.2 million) under prescribed basis is 6.95 times (December 2017: 8.93 times).

I hereby certify that:

- The valuation of Botswana Life Insurance Limited as at 31 December 2018, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01), the Botswana Insurance Industry Prudential Rule IPR1L-Prescibed Valuation Method for Long-term Insurance Liabilities and IPR2L-Prescribed Valuation Method and Admissibility Restrictions for Long Term Insurance Assets.
- This valuation report has been produced in accordance with Botswana insurance prudential Rules LR3-Valuator's Annual Report
- The company was financially sound as at the valuation date and, in my opinion, is likely to remain financially sound for the foreseeable future.

Edwin Splinter
Statutory Actuary

Chief Executive Officer's Report

Botswana Life was able to maintain its profitability during 2018, despite the difficult economic environment and a challenging operational and regulatory environment.

Business Performance

Profit After Tax (PAT) increased to P282 million at year-end, up from P267 million the previous year. This 6% improvement should be seen in the context of the impairments that affected one of our Associate companies in the current and the previous year, which had a massive impact on Botswana Life's overall performance. There are, however, no caveats to the satisfactory 8% growth achieved in recurring premium income, an increase that is to be welcomed as this represents a sustainable source of profits in the long term.

The Value of New Business (VNB) also remained stable over the review period. This is despite reduced margins, lower new business volumes and the uncertainties of the prevailing economic conditions. This is important as VNB represents the value of future profits.

Our file size, however, which is an important metric for any insurance company, remains under pressure. Although the file size marginally increased, it was negatively impacted by reduced new business volumes. This also contributes directly to an increase in the cost of acquiring each new contract. Although reduced new business volumes were offset by a welcome decline in the lapse rates, growing new business volumes will be a key focus area in the year ahead.

Claims pay-outs rose some 8% to P1.5 billion, of which about P550 million related to annuity pension benefits. Botswana Life currently manages about P7.5 billion worth of assets for pensions, and our ability to meet our commitments to the very large number of people who depend on us to do so is a responsibility we take extremely seriously.

Regulatory Compliance is not a subject for debate, and we are committed to engraining a culture of compliance deep within our DNA. This means that we will comply, even if no one is watching, simply because it is the right thing to do and because, ultimately, it is an investment in our future. The more stringent regulatory environment introduced Anti Money Laundering / Know Your Customer (KYC) requirements, and the Botswana Life team has worked tirelessly to achieve a satisfactory level of compliance, with an aggressive KYC compliance awareness effort that commenced in February 2018.

Looking Ahead

The Botswana insurance market is expected to grow by 7% year-on-year for the next five years. This is a very attractive scenario and it helps to explain why the market is so heavily contested, by local entities and those with offshore backing. Botswana Life has both – homegrown advantage and the backing of one of the largest insurance giants in Africa, being Sanlam – and we will work to capitalise on this further.

There are winds of change as well and it is clear that we can no longer do more of the same. Change is everywhere - industry dynamics, customers' needs and expectations, service quality standards, product relevance, and mobility. Botswana Life is well positioned to leverage our history, our unmatched track record of delivery and trustworthiness, and our market size with the introduction of new, innovative technologies and new business models. This will allow for nimbler, more exciting products and a level of service that will truly delight our customers.

2019 Brings in a New Five-Year Strategy with a New Vision:

"To be Botswana's first choice in life insurance-based financial solutions and advisory services."

The new Vision is underpinned by consistent delivery of our promise and Values to all our stakeholders.
The strategy will be delivered through six strategic themes:

- Revenue Growth and Profitability
- Customer Delight
- Distribution Excellence
- Technology Transformation
- Compliance and Risk Management
- High Performance Teams

Botswana Life is fortunate to have a very strong, talented and committed cadre of people who have managed to keep the financial fundamentals stable in the recent past despite the challenging operating environment. The company is poised and ready to deliver exceptional value to its shareholders by focusing on robust new business growth and the profitability of all our business lines.

Thank You

Gratitude must first and foremost go to the many thousands of customers, some of whom have been with us for decades. Their faith in us is why we are here today and what inspires us to keep working to make a difference well into the future. Thank you to our valued partners as they are mission critical to our business. Thank you to the Board and Staff at Botswana Life - they are simply the best combination of loyal, hardworking and committed individuals. I look forward to 2019 with confidence that this team will deliver well for the BIHL Group and continue to empower Batswana, enabling them to feel more financially secure and to truly Walk Tall.

Mr. Ronald J. Samuels
Chief Executive Officer, Botswana Life

Chief Executive Officer's Report

The year under review was a good one for Bifm, albeit difficult and challenging. After the setbacks encountered in the previous two years during which the company had to rebuild its Investment team, Bifm's turnaround was set in motion based on the development of three key attributes: to get the basics right; to engage meaningfully with its clients and stakeholders in order to deliver a clear and consistent message at all times; and lastly, to be sufficiently agile to be able to respond quickly and appropriately to client needs and market moves.

Over the past year, these attributes have become so ingrained in the company's culture that they are now virtually second nature; they are just the way Bifm works. This is reflected in the fact that, despite the loss of highly experienced Investment team, Bifm not only retained all our mandates, but also acquired several new mandates.

The success of Bifm's turnaround can largely be attributed to the grit, determination and professionalism of our people. They have played a constructive role in the formulation of our new strategy and they pride themselves on the way in which it is executed. We are also particularly pleased with our retail offering. We are seeing traction in the Bifm Unit Trusts, and the new strategy incorporates the aggressive growth that we would like to achieve in the retail space.

The Asset Management industry has evolved over the past 10 years, during which new Asset Management companies were formed, whilst a handful closed. Despite the rise in many indigenous Asset Management companies, the pension fund industry has seemingly saturated with limited scope for growth as was experienced in the former years.

The industry growth is muted due to local companies not growing and therefore disposable income of employees also being under pressure and employment creation being slow. The competition has increased, which means that the pie has become smaller, therefore calling for more innovation, high and excellent service levels to ensure we retain clients and open up other income avenues with the same clients.

As if the environment was not tough enough, 2018 was a challenging year for markets, driven by global and local equities that declined and affected most balanced mandates. The global and fixed income portfolios were resilient, thereby mitigating the losses experienced by the equities. Our local property fund, which is an alternative asset class which our competitors do not offer, did well for our clients in 2018.

We have an optimistic view of the local economy, underpinned by improving global demand for commodities as well as increase in fiscal expenditure.

Fundamental value drivers for local equities are favourable. Economic expansion is expected to continue globally which will maintain support for Botswana's tourism and mining sectors. Local market sentiments continue to remain positive on the back of accommodative fiscal and monetary policies, benign inflation outlook and Government's business-friendly posture geared at job creation and skills development. Notwithstanding the positive outlook, we are cognisant of headwinds facing the local economy and the business sector. Inflation rate is expected to remain stable in 2019; however, planned administered price hikes may alter this outlook slightly.

Subsidiaries and Partnerships

- Khumo Properties, the property development company that manages the prestigious Airport Junction Mall, among others, has come a long way since starting life as the manager of the Bifm property portfolio. While Airport Junction remains its flagship property under management, Khumo has expanded its portfolio to include properties outside the Bifm fold. During the review period, Khumo won several new mandates, including the Diphalana Junction Mall in Palapye. The company regularly receives invitations to assist on other property developments, a clear indication of the esteem in which it is held by the Botswana property industry.
- The Associate holding in Zambia, African Life Financial Services Limited, also performed well, despite the challenges encountered in Zambia and other markets. The business is looking to diversify into other businesses such as property development and corporate advisory.

Thank You

At Bifm, we are privileged to have an amazing team, without whom we would never have seen the fantastic results we have achieved. I would like to thank each and every one of them – they are my family!

Our Board is equally amazing, giving us great oversight and always able to advise and guide. However, our greatest gratitude must to go to all our clients. They have entrusted us with their funds and this is a responsibility we take very seriously. Without their belief in us, we would not be here today. We are forever grateful for that

Mrs. Neo Bogatsu
Chief Executive Officer, Bifm

Head of Legal Guard's Report

Business Performance

Legal Guard's results in 2018 continued the upward trend towards profitability that commenced four years ago. This time, however, the company delivered a significantly improved performance with operating profit growth of 291% to P4.07 million from P1.04 million in the previous year.

The main contributor to this improved performance was the significant decline in claims expenses thanks to efforts over the past three years to streamline claims assessment and monitoring processes. The claims process introduced in 2015 is now bedded down, providing a better sense of predictability of the volume and value of claims.

The company also realised a 12% year-on-year decline in operating expenses, thanks largely to initiatives put in place in 2017. These resulted in a leaner structure and reduced operating expenses.

There was, however, a 7% contraction in the company's revenues and a decline in the policy book. This is likely the result of constraints on individuals' disposable income and the pressure of the general economic environment. While these factors are outside of the company's control, there are steps Legal Guard can and is taking to compensate.

The first is to increase Legal Guard's visibility in the market by ramping up marketing and promotional efforts and getting the word out that Legal Guard is still the biggest legal insurer with the most competitive products in the market. Much of this effort will also focus on market education that sets out the value proposition inherent in legal insurance.

In addition, the company will continue with its drive to improve the productivity and efficiency of the agency sales force, which is currently the company's single route to market. The size of this team contracted over the years. In an effort to turn this around, Legal Guard introduced a new commission structure for sales agents in 2018, and this is starting to have the desired impact. For 2019, the focus will be on improving agent productivity.

Lastly, the company is looking to diversify its route to market by pursuing other distribution opportunities. This will be a key part of the company's strategy going forward.

Looking Ahead

Legal Guard is expected to launch a suite of new products in early 2019, specifically developed to meet the changing needs of the Botswana market. This initiative is anticipated to introduce much-needed versatility and flexibility to the market.

There will also be increased focus on ways to improve customer service. While the claims assessment process has been streamlined, there is room for improvement of customer experience once a claim has been accepted and passed onto the external attorney panel. The need to make use of legal expenses insurance typically does not occur in the best of circumstances for clients (clients are usually either suing someone or being sued), but we can try as a business to minimise the stress and unpleasantness associated with this experience where possible. Efforts are being made in this regard, to enhance the customer experience of our service delivery.

Thank You

Legal Guard's satisfactory performance in 2018 is due in no Small measure to the efforts of its staff and Management team. Despite its difficulties, the company experienced exceptionally low staff turnover in the review period. Legal Guard would also not have been able to embark on its turnaround trajectory without the support of its Board as well as the BIHL Group Board. The company has turned the corner and is now in a position to ensure our stakeholders reap the rewards they deserve for all their support and patience over the years.

Mr. Chaha Skelemani
Head of Legal Guard

Human Resources Report

The review period was one of renewal and laying the foundation for a high-performance culture across the BIHL Group. Significant strides were made in respect of the People Management agenda.

The year started with the launch of a culture transformation initiative at Botswana Life, the Group's largest Subsidiary. The initiative was important following the changes in the business in the previous year. This initiative gave staff an opportunity to reflect on the culture that existed within the company, and the culture that they would want to have going forward. Building on these reflections, we were able to put in place a structured approach for changing the culture in a way that would enable a high-performance organisation.

As part of the BIHL Group commitment to be an Employer of Choice, numerous staff engagements were held during the review period. This led to the development of an Employee Value Proposition (EVP), which was launched in October and November 2018.

The EVP initiative is a game changer for the Group as it recognises our staff as a key strategic partner in the execution of our business strategy.

Through the EVP, the BIHL Group will continue to make the meaningful and sustainable changes that enable the Group to attract and retain the best and brightest talent in the country, and to empower its people to be the best they can be.

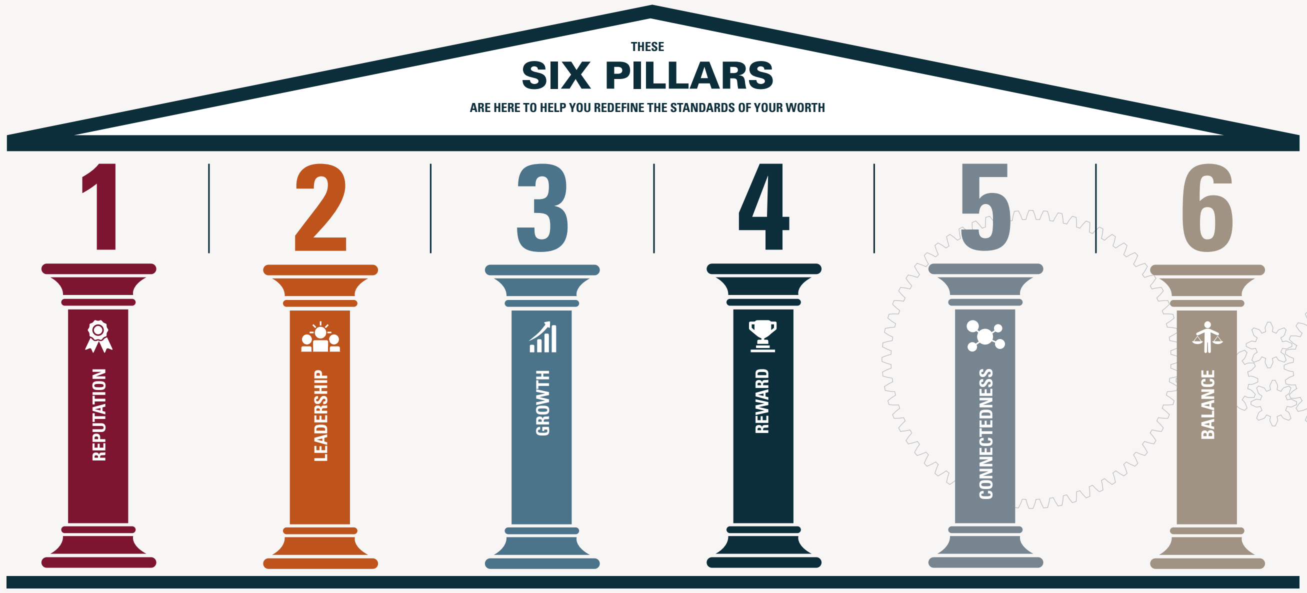
The BIHL Group also recognises the importance of staff development. As a service industry organisation, it is important to provide staff with the development they need to be able to offer superior service to customers. During the review period, there was therefore a great deal of emphasis on the training of direct agents as well as front-line staff so that they are better equipped to offer advisory services to customers.

Training and development are a key part of the EVP and play a vital role in our staff retention strategy. We recognise that many of our employees are young, eager to learn and willing to gain experience that will enhance their personal growth.

In addition, they want recognition for their efforts and opportunities to grow beyond their functional role both within the BIHL Group and as well as the larger Sanlam Group.

The BIHL Group therefore continues to offer staff cross-functional and cross-business opportunities for growth. However, there is still much that must be done to upgrade current skills, grow existing talent from within the BIHL Group, and recruit top talent from across Botswana. The Group is committed to continuing to groom and grow its own talent – but where necessary, it will not hesitate to employ talented individuals from outside the organisation as well. The infusion of new ideas and expertise from outside the organisation is often essential to prevent inertia and complacency.

The BIHL Group has also invested in an automated Performance Management System to improve the measurement of performance. This is an exciting, web-based solution that will make our performance measurement more consistent and easier to manage, as well as contribute further to a high-performance culture.



Ms. Tlotlo Mookodi
Executive Head of People Management

"We take our responsibilities very seriously as, behind every policy or fund we manage, there are peoples lives"

03

Sustainability Review

Sustainability Highlights

We at the BIHL Group strongly believe that for any organisation to remain a sustainable entity, it must place the Environment, the Society and its Governance principles (ESG) at the forefront of how it conducts itself. Sustainability, therefore, plays an integral role in everything that we do, both within our business and within the communities where we seek to make a difference. What do we mean by sustainability? It is a big term and a big concept, seemingly very much the word du jour in many ways; and so it should be.

The way we see sustainability, however, is as a practice of doing things today with the kind of positive impact that allows stakeholders of the future to benefit, be it governance controls and best practice in our business and across our Subsidiaries, which allows our business to operate long into the future; or sustainable community development and environmental impact from a CSI perspective, which protects and safeguards our ecosystems for future generations.

The importance of sustainability to us is twofold, each of which is equally important. On the one hand, we want a strong and sustainable business, a profit making organisation that sees returns for our shareholders and benefits for our stakeholders in the long term. We are a business, and our efficiencies, efficacy and very future are dependent on this.

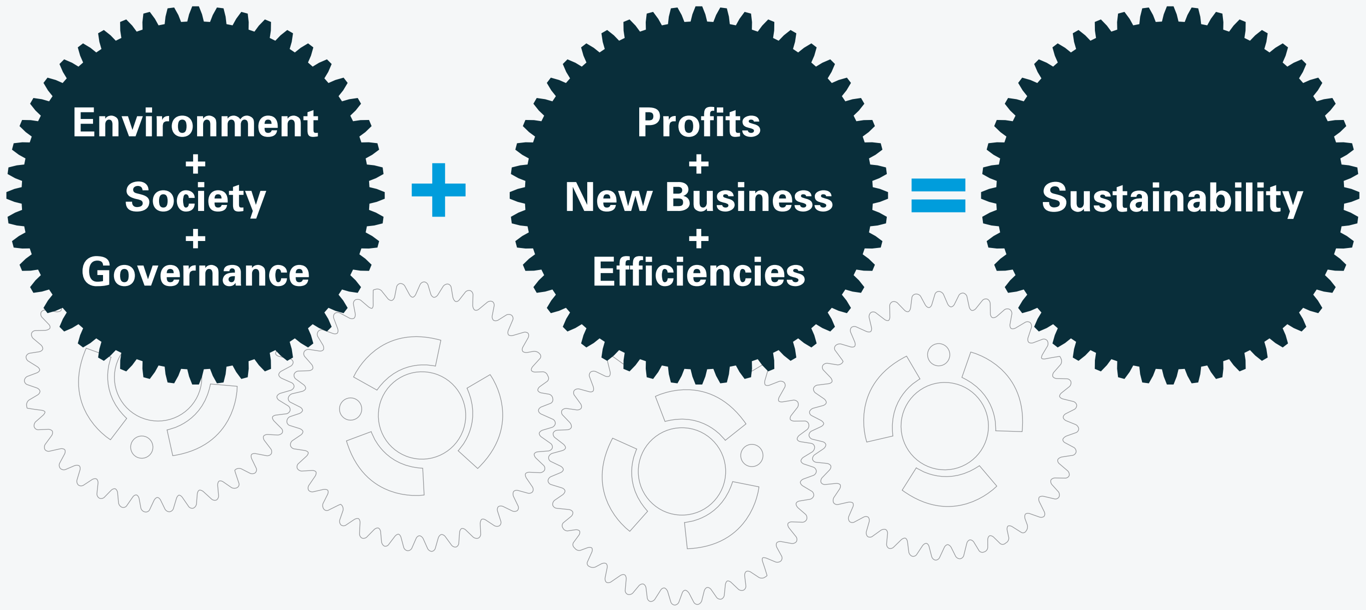
These profits are made ever mindful of the best principles of governance and transparency. Secondly, we are passionate about our beautiful Botswana home, and our beautiful Africa. We care for our people, our planet, our environment and all that lays within. And so, we want to do good by them and do right by them.

Indeed, these two aspects cannot be treated as wholly separate, for sustainable practice in our environment and communities feeds back into our business perception and the trust the public place within us.

In 2004, we introspected on how we can do better in this space. We asked ourselves how our sustainability, corporate governance and best practice can be enhanced further. The answer? It began with taking clear stock and controls of the impact we create.

Our focus lays in three distinct and inclusive spheres: People, Planet and Profit. Our measures then focused on water and electricity consumption, as well as other seemingly small expenses such as telephone and printing costs. In the years since, we have used that benchmark and now conduct this measurement every year, aiming to improve further each time. In the instance of the printing cost reduction, we have achieved this by using less paper, thus a twofold benefit as we improve our profits while we save vital trees and woodlands in the process.

The data for 2018 is provided here, showing the trend from the prior year as well. This allows us to get a meaningful understanding of where we stand, and conclude how and where we want to be by the next reporting period. As we said, sustainable practice is very much the essence of who we are and how we do business and it is something we continue to invest in doing more of and doing better at.



Carbon Footprint (Environmental)

The BIHL Group Item	2018 Amount BWP	2017 Amount BWP	2016 Amount BWP	2015 Amount BWP
Water	**34,436**	13,017	15,274	8,880
Power	**90,773**	31,465	204,734	124,213
Telephone and Fax	**433,298**	533,749	32,237	150,943
Printing	**409,676**	103,541	650,743	668,169
	968,183	681,772	902,988	952,205

Bifm Item	2018 Amount BWP	2017 Amount BWP	2016 Amount BWP	2015 Amount BWP
Water and power	**473,188**	400,031	336,815	356,236
Cellphone & Landline	**512,866**	608,712	372,529	433,723
Printing	**520,714**	436,184	265,632	241,114
	1,506,768	1,444,927	974,976	1,031,073

LEGAL GUARD Item	2018 Amount BWP	2017 Amount BWP	2016 Amount BWP	2015 Amount BWP
Water	**12,302**	5,623	10,568	10,065
Electricity	**206,411**	193,691	123,886	66,214
Telephone/Fax/Cellphone	**256,168**	369,723	198,144	252,317
Printing	**116,460**	43,850	452,038	355,124
	591,341	612,887	784,636	683,720

BLIL Item	2018 Amount BWP	2017 Amount BWP	2016 Amount BWP	2015 Amount BWP
Water	**448,326**	64,940	204,082	57,793
Electricity	**1,582,636**	1,590,434	1,142,369	1,016,854
Telephone/Fax/Cellphone	**5,435,081**	2,955,978	3,384,247	3,136,381
Printing	**4,852,426**	2,232,028	1,034,897	949,150
	12,318,469	6,843,380	5,765,595	5,160,178

Corporate Social Investment

Corporate Social Investment (CSI) is a key part of the community agenda of the BIHL Group, delivered largely through our social and community investment arm, the BIHL Trust. The Trust bears its own mandate and strategic direction towards driving meaningful and sustainable social impact, made possible by a 1% contribution from profits of the Group and each of the Subsidiary businesses - Botswana Life, Bifm and Legal Guard. Our community agenda is also delivered through the direct efforts of each of our Subsidiaries and the CSI work that they deliver.

MARCH 2018

SUPPORT OF SMALL-SCALE AGRICULTURAL PRODUCTION

The BIHL Trust hosted a charity pop-up market for small-scale farmers to sell their goods at the BIHL Group offices in Fairgrounds Office Park. As a proudly indigenous community development organisation, the Trust supports the National drive towards growing the agricultural sector, leveraging local resources to produce consumable goods, securing our National food production and managing the National import bill of such items.

MAY 2018

THE BIHL TRUST COMPLETES COMMUNITY GUEST HOUSE RENOVATION PROJECT IN KHAWA

The BIHL Trust contributed P30,000 in prize monies for the top three professional riders among the motorbikes races, quad bike races and members of the Khawa Academy for the 2018 Khawa Dune Challenge, an annual event which supports the local Khawa community. In addition to this sponsorship, 2018 marked the completion of the BIHL Trust Khawa Guest House Project. The initiative was a renovation project, which the BIHL Trust had pledged to champion since 2015 and included the renovation of the guest house from a 3-bedroomed to a 5-bedroomed building complemented with en-suites in each room. A kitchen and a dining room were also added to the property. As part of its P1.5 million housing project supporting the National Housing Appeal pledged in 2015, the BIHL Trust committed to the Khawa Guest House Project in order to improve the service offering and capacity of the property, which is being run by the community. With the completion of this renovation, the property can now earn higher revenues that can be used to benefit the Khawa community.

JUNE 2018

THE BIHL TRUST DONATES P200,000 TOWARDS MARU-A-PULA OVC SCHOLARSHIP PROGRAMME

As part of an 11 year-strong commitment to supporting improving education and skills among Batswana, the BIHL Trust donated P200,000 to the Maru-a-Pula Orphans and Vulnerable Children (OVC) Scholarship programme. The BIHL Group understands that access to education for the youth is paramount to the National socio-economic development. Through the partnership with the Maru-a-Pula OVC Programme, the Group plays a part in offering this prestigious opportunity to academically gifted bright minds in need of financial resources for tuition so that they may study at Maru-a-Pula Secondary School.

AUGUST 2018

THE BIHL TRUST SIGNS MOU WITH MINISTRY OF BASIC EDUCATION

The BIHL Trust signed a Memorandum of Understanding (MoU) with the Government of Botswana through the Ministry of Basic Education to establish an official sustainable cooperation between both parties. Through this MoU, the Trust restated its commitment to supporting education in Botswana. The MoU saw the BIHL Trust support sporting skills improvement, a critical part of childhood development by donating 1,512 soccer balls and 1,512 netballs every other year beginning in 2018 and until 2022. The sporting equipment will be distributed among the 756 schools across the country.

Furthermore, the BIHL Trust committed to sponsoring prizegiving ceremonies at eleven adopted primary schools; these being: Tshwaragano, Cwaanyaneng, Mafetsakgang, Chakaloba, Mogobane, Serinane, Goshwe, Nokaneng, Kuke, Mmathabakwe and Bopaganang.
The sponsorship awarded prizes to Standard 7 top performers and the best performing school. The total sponsorship under the MoU was P700,000.00

Corporate Social Investment (continued)

AUGUST 2018

THOMAS TLOU SCHOLARSHIP AWARDED TO 4 BATSWANA

The BIHL Trust Thomas Tlou Scholarship awarded 4 exemplary Batswana with opportunities to study postgraduate programmes at local institutions. This year marks 6 consecutive years that the Trust has committed to contributing to Nation-building through advanced skills developments in line with Vision 2036's overall theme, Prosperity for All. Recipients included: Kamogelo Nnoi, States Mphinyane, Lechani Rachel Kgangyame and Kabo Melvin Majwabe. Since the initiation of the Thomas Tlou Scholarships in 2012, a total of 28 scholars have received the prestigious opportunity to further their postgraduate studies. 2018 saw a record number of applications for the scholarships received, showing a 60% rise in figures from the prior year.

SEPTEMBER 2018

THE BIHL TRUST SUPPORTS NATIONAL HOUSING APPEAL

In efforts to support the National Housing Appeal's aims to house the less unfortunate, the BIHL Trust heeded the call to assist Galenaphenyo Okaile, an 18-year-old living with intellectual and physical disabilities. The Trust officially handed over a house for Okaile and his family. The Trust supported the National Housing Appeal as part of the 2017-2022 Strategy, which is aimed at building a lasting legacy in communities. The house was constructed at the value of P250,000 and completed within budget and schedule using predominantly local labour. The Trust also furnished the house to help the family settle in.

DECEMBER 2018

THE BIHL TRUST BOXES OF LOVE TRAVEL TO OTSE TO SHOW THE LOVE!

The annual BIHL Trust Boxes of Love initiative continues to grow with every passing year, and with a dedicated effort to grow impact with every handover. 2018's Boxes of Love initiative saw the BIHL Group couple with staff from Botswana Insurance Company (BIC) to hand over 55 specially curated Boxes of Love - including toys and trinkets deemed perfect for a child, (gender and age appropriate) to 55 children at Camphill in Otse village. The gifts were shared as part of a fun day with learners from Rankoromane and Legodimo. Children spent the day playing with staff of the BIHL Group, the BIHL Trust and BIC. The treasured platform is the Trust's opportunity to ensure children's is festive season is that much brighter because of a single act of compassion and kindness. This was the impetus behind the Boxes of Love initiative when we introduced it in 2013, and it remains so today.

DECEMBER 2018

PARTNERING WITH AUTISM BOTSWANA TO #ACTTOGETHERFORAUTISM

With the increasing prevalence of Autism Spectrum Disorder (ASD) across Botswana, and a notable lack of awareness, the BIHL Group and Botswana Insurance Company (BIC) joined forces with Autism Botswana to drive awareness, detection and action. The partnership launched in December 2018, and goes into 2019, with an investment of over P100,000.00. Autism Botswana is managed on a volunteer basis, and works with key partners and collaborators to help make a difference. They encourage individuals, parents, families of individuals with autism and society at large to become members to help drive greater understanding, management and support of persons afflicted with Autism, which affects all ethnic and socio-economic groups.

DECEMBER 2018

THE BIHL TRUST SUPPORTS BOPAGANANG PRIMARY SCHOOL PRIZEGIVING

Continuing in its efforts to support local schools in Botswana, premised on the belief that education is our very future, the BIHL Trust supported a prizegiving ceremony at Bopaganang Primary School. The BIHL Trust delivered gifts to the Best Performing Student in each class from Standards 1 to 7. The gifts shared with students included a ruler set, money box, pencil case and a lunch box. The BIHL Trust's Ngwatshi Enyatseng, a Trustee, shared a motivational speech with students and teachers present. Bopaganang Primary School is located in Draaihoek, which is just after Werda. It has over 300 students enrolled and seeks to deliver quality education at a primary level, preparing students for their secondary education.

Board of Directors

Key

Audit & Risk Committee

Investment Committee

Human Resources Committee

Independent Review Committee

Nominations Committee

+ Executive

++ Non-Executive

+++ Independent Non-Executive

Batsho Dambe-Groth +++
Board Chairman

Nationality: Motswana

Born: 1966

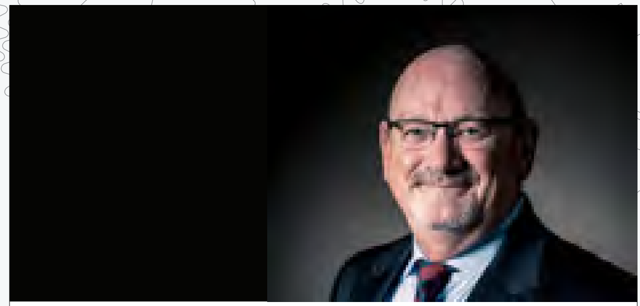
80

Gaffar Hassam ++
Board Member

Nationality: Malawian

Born: 1976

81



Andre Roux ++
Board Member

Nationality: South African

Born: 1962

82

Catherine Lesetedi +
Group Chief Executive Officer

Nationality: Motswana

Born: 1967

80

John Hinchliffe +++
Board Member

Nationality: British

Born: 1957

81

Mahube Chilisana Mpugwa +++
Board Member

Nationality: Motswana

Born: 1968

82

Gerrit van Heerde ++
Board Member

Nationality: South African

Born: 1968

80

Chandra Chauhan +++
Board Chairman

Nationality: Motswana

Born: 1963

81

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

Nationality: Motswana

Born: 1956

82

Board of Directors (continued)

Batsho Dambe-Groth
Board Chairman

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

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

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

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

Catherine Lesetedi
Group Chief Executive Officer

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

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

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

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

Gerrit van Heerde
Board Member

Gerrit van Heerde is an Executive: Client Solutions for Sanlam Pan-Africa Life. He was appointed to the BIHL Group Board on 30 June 2015. He joined Sanlam in 1993 and held various positions throughout the Group before being appointed as CFO of Sanlam Emerging Markets in 2012 and, subsequently, to his current position in 2015.

Mr. van Heerde serves as a Director on the Boards of Botswana Insurance Fund Management Limited (Bifm), Letshego Holdings Limited, Sanlam Namibia Limited, Shriram Transport Finance Company Limited and Shriram City Union Finance Limited.

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

Gaffar Hassam
Board Member

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

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

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

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

John Hinchliffe
Board Member

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

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

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

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

Chandra Chauhan
Board Member

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 Group Board on 20 April 2009.

He is currently the Group Managing Director of Sefalana Holding Company Limited, a listed company on the Botswana Stock Exchange, having been appointed to its Board in 2003. He was responsible for turning around and restructuring Sefalana and has seen its market capitalisation increase from P64 million in 2004 to its current capitalisation of just over P2.6 billion. He is the Chairman of the Board of Botswana Insurance Fund Management (Bifm). Mr. Chauhan has a B.Acc (Hons) from the University of Zimbabwe, ACA (England & Wales) and ACA (Botswana).

Board of Directors (continued)

Andre Roux
Board Member

Andre Roux is the Chief Investment Officer (CIO) of Sanlam Emerging Markets as well as Sanlam Investment Management Namibia. For nine years prior to taking up his current role within Sanlam, he headed the company's Fixed Interest team in South Africa, and was also a member of Sanlam Investment Management's Asset Allocation, Credit and Asset and Liability Committees.

Mr. Roux was appointed to the BIHL Group Board on 4 July 2013. He is also a member of the Botswana Insurance Fund Management Limited (Bifm) and Bifm Unit Trust (Pty) Ltd boards and is Chairman of the BIHL Investment Committee.

He has a B.Comm (Hons) (Economics) degree from the University of Stellenbosch and an EDP from Manchester Business School.

Mahube Chilisana Mpugwa
Board Member

Mahube Mpugwa was appointed to the BIHL Group Board on 1 June 2010.

He is an Executive Director and General Manager of Puma Energy Botswana (formerly BP Botswana). He is also a Director of Master Timber (Pty) Ltd, Botswana Insurance Fund Management Limited, Colmar (Pty) Ltd, and Woolworths Botswana.

Mr Mpugwa began his career in Public Relations at Botswana Development Corporation (BDC) and joined BP Botswana in 1998. Thereafter, he held various positions within BP Botswana and BP South Africa, before being appointed to his current position in 2008.

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

He has trekked to Mt. Everest Base Camp in Nepal, climbed Kilimanjaro in Tanzania, and cycled 1,200 kilometres from Shakawe to Gaborone in support of various charities.

Lt. Gen. Tebogo Carter Masire
Board Member

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

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

He is one of the Founding Members of the SADC Standing Aviation Committee and also a founding Board member of the Civil Aviation Authority of Botswana (CAAB)

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

Management Team

Catherine Lesetedi
Group Chief Executive Officer

Nationality: Motswana

Born: 1967

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

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

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

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

Kudakwashe Mukushi
Group Chief Financial Officer

Nationality: Zimbabwean

Born: 1977

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

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

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

Ronald J. Samuels
Chief Executive Officer, Botswana Life

Nationality: South African

Born: 1969

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

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

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

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

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

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

Neo Bogatsu
Chief Executive Officer, Bifm

Nationality: Motswana

Born: 1975

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

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

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

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

Chaha Skelemani
Head of Legal Guard

Nationality: Motswana

Born: 1974

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

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

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

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

Thomas Masifhi
Group Head of Business Development and Stakeholder Management

Nationality: Motswana

Born: 1966

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

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

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

04

Corporate Governance

If we are to remain Sustainable as an organisation, we have to engineer it so. Thus, our governance and risk managemnt remain a key priority at the BIHL Group

Corporate Governance Report

STATEMENT OF COMMITMENT

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

The Group is committed to business integrity and professionalism in all activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practice. The Board is of the opinion that the BIHL Group currently complies both with significant King III governance principles as well as the BSE Listing requirements. The BIHL Group's corporate governance practices are continually being reviewed and improved by benchmarking against accepted best practices and King III.

Corporate Governance

The Board is the custodian of corporate governance and is responsible for ensuring that the business of the BIHL Group is conducted according to sound corporate governance principles. This is done through approving key policies and ensuring that the Group meets its obligations to all stakeholders. The Board directs the BIHL Group's strategic planning, risk management, resources, financial management and operational management to ensure that the Group's obligations to its stakeholders are understood and met. The Board upholds the King code principles to ensure accountability, fairness and transparency in the Group's relationships with its stakeholders.

The Board's Governance and Structure

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

During this financial year, the Board was chaired by Mrs. Batsho Dambe-Groth, an independent Non-Executive Director. The Board comprises:

- Five independent Non-Executive Directors;
- Three Non-Executive Directors; and
- One Executive Director

The Chairman has no executive function. She meets regularly with Senior Executive Management to monitor progress and discuss relevant business issues and is available to respond to stakeholder queries or other issues relating to the BIHL Group.

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

Definition of Independence

For this Report, Directors are classified as follows:

Executive Directors are involved in the day-to-day management of the BIHL Group and are in its full-time employment.

Non-Executive Directors include Directors who may be nominees of or represent a shareholder.

Independent Non-Executive Directors are those Directors who are neither involved in the day-to-day management of the BIHL Group, nor nominees of, nor represent, a shareholder.

Board Charter

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

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. The Directors are chosen for their business acumen and wide range of skills and experience.

The Board gives strategic direction to the BIHL Group, 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, professional expertise and industry knowledge to meet the BIHL Group'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 Directors of the BIHL Group are subject to an annual performance evaluation. Succession planning is also reviewed regularly.

In accordance with the BIHL Group'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).

Board Meeting Attendance

Name	The BIHL Group Board	Audit and Risk Committee	Human Resources Committee	Investment Committee
B. Dambe-Groth	4/4	n/a	4/4	n/a
C. Chauhan	4/4	3/4	n/a	n/a
J. Hinchliffe	4/4	4/4	n/a	n/a
M. Mpugwa	4/4	n/a	4/4	4/4
G. Van Heerde	4/4	4/4	n/a	n/a
A. Roux	3/4	n/a	n/a	3/4
Lt. General T. Masire	4/4	n/a	n/a	n/a
G. Hassam	4/4	n/a	4/4	n/a
	27/28	**11/12**	**12/12**	**7/8**
% Attendance	**96%**	**92%**	**100%**	**88%**

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

The Board reviews the status of its members on an on-going basis.

Board Meetings

The Board meets at least four times per year to consider business philosophy, and strategic issues, set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Where appropriate, decisions are also taken by way of round-robin resolutions. Feedback from its sub-committees is considered, as well as several key performance indicators, variance reports and industry trends. A summary of meetings held and attended is presented below:

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 and appointed. Reappointment to the sub-committees is not automatic and is subject to the approval of the BIHL Group's Nominations Committee.

When Directors of the BIHL Group 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. The Committee has a formal written Charter which sets out its responsibilities and is reviewed annually. The Committee meets at least four times per annum. The internal and external auditors attend these meetings and have unrestricted access to the Chairman 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 Authority Act (NBFIRA), other relevant legislation, and the common law, regarding the business of the BIHL Group. It monitors financial controls, accounting systems and reporting, compliance with legal and statutory requirements, evaluation and the management of risk areas and internal control systems, and the effectiveness of external and internal auditors. The Committee also evaluates the BIHL Group's exposure and response to significant risks, including sustainability issues.

Areas of Focus During 2018
The committee focussed on the following key areas in the Year 2018:

1.Compliance Management

a. Compliance with AML CFT & P requirements across the Group's subsidiaries. The focus on Anti Money Laundering across Africa and indeed in Botswana has meant that the BIHL Group being the largest player in the insurance space has had to ensure that the businesses under its stable are compliant with the legislation. Processes have been put in place to ensure that all new policies written are compliant with requirements. The Committee monitored management efforts to ensure compliance of the more than 300,000 policyholders that already existed. In addition, a risk-based approach to compliance which is aligned to the revised legislation was considered by the Committee and shared with the Regulators. The risk-based approach included having in place the necessary controls at time of a client exiting or withdrawing form a contract. Management continues to work towards full compliance on the existing book and has kept the regulator up to date with progress.

b. Compliance with the New Retirement Funds Act: The Committee reviewed the progress that management has made in setting up a separate Administration Company to administer the Retirement Fund. In addition good progress has been made to register the Retirement fund with NBFIRA ; the Committee is satisfied that there is sufficient effort to comply with the requirements.

c. Review of the Compliance maturity status of the group: A compliance maturity assessment was carried out by PWC and the Committee considered the feedback from the report. Efforts to improve the compliance maturity status of the group will be spearheaded by PWC who will assist in rolling out the Sanlam Pan Africa (former Sanlam Emerging Markets) Framework in BIHL in 2019.

2. Risk Management

a. The Committee reviewed the Risk Profiles and Risk Appetite reports of the various subsidiaries

b. Quarterly monitoring of the key risks that faced the group; the Committee reviewed the ratings and the effectiveness of mitigating factors.

c. Review of unlisted investments with a focus on credit assets which required attention from a risk management perspective.

d. Reviewed management's strategy and actions to improve risk maturity in subsidiaries and associates as well as the rollout of the new risk reporting methodology including the setting of and reporting on risk appetites.

3. Audits

a. BAOA Audit – During the year, BAOA audited the BIHL Group Annual Reports and provided areas for improvement which were broken down between financial reporting matters and corporate governance matters. The Board and management promptly responded to the findings and communicated back to BAOA. Overall, the result of the audit was satisfactory.

b. The Committee considered various audit reports from the internal and external audit and is satisfied that the Group has a healthy control environment. The key audit matters highlighted by the External Auditors during the course of the year include the following:

i. Valuation of Policyholder Liabilities under insurance contracts.
ii. Valuation of unlisted investments
iii. Assessment of impairment of investments in Associates

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

Gerrit van Heerde - Chairman

Members
C. Chauhan
J. Hinchliffe
Lizelle Nel

HUMAN RESOURCES COMMITTEE

The sub-committee is responsible for monitoring and advising on the status of the BIHL Group's human intellectual capital and transformation processes regarding employees. The sub-committee approves executive appointments and reviews succession planning. The sub-committee is also responsible for the remuneration strategy within the BIHL Group, and for approval of guidelines for incentive schemes and the annual determination of remuneration packages for the BIHL Group's Exco. The Committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that a robust performance management culture is in place. It also makes recommendations to the Board regarding Directors' remuneration. The Chief Executive Officer, the Subsidiary Chief Executive Officers and the Executive Head – People Management attend the meetings by invitation. Non-Executive Directors do not participate in an incentive bonus nor do they receive share options. The Committee meets on a quarterly basis and has a formal Charter which sets out its responsibilities and which is reviewed annually.

Batsho Dambe-Groth - Chairman

Members
M. Mpugwa
G. Hassam

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.

INVESTMENT COMMITTEE

The BIHL Group Investment Committee meets on an ad hoc basis to evaluate investments for both the BIHL Group and policyholders, the mitigation of investment risks, and ensuring that proper governance has been followed in making investment decisions. The Credit Sub-Committee meets in tandem with the Investment Committee to review, set policies for, assess, approve and monitor specific counter-party credit risks, as well as to manage the credit risk inherent in the investment portfolios on an ongoing basis.

Andre Roux - Chairman

Members
M. Mpugwa
G. van Heerde

Corporate Governance Report (continued)

NOMINATIONS COMMITTEE

The Nominations Committee meets on an ad hoc basis to appoint, identify and evaluate suitable candidates for possible appointments to the Board. The Committee makes recommendations to the Board regarding the appointment of Non-Executive and Independent Non-Executive Directors. It regularly reviews the structure, size and composition of the Board and its Committees and makes recommendations to the Board. The Committee meets as and when appropriate.

Chandra Chauhan - Chairman

Members
B. Dambe-Groth
G. Hassam

INDEPENDENT REVIEW COMMITTEE

To enhance the governance structures within the BIHL Group and other matters referred to it by the Board or any of its sub-committees, the Board constituted an Independent Review Committee. The members of this Committee are all independent Non-Executive Directors. The Committee is responsible for reviewing all related party transactions. The Committee meets as and when appropriate and has adopted a formal Charter that is reviewed on an annual basis.

John Hinchliffe

Members
C. Chauhan

Remuneration Philosophy

The responsibility for the BIHL Group remuneration strategy resides with the Human Resources Committee, which also approves mandates for incentive schemes within the BIHL Group 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 the BIHL Group.

Employee Remuneration

The following principles are used to determine appropriate remuneration levels:

- All remuneration principles are structured to provide clear differentiation between individuals about performance and capability
- A clear and meaningful distinction is made between high performers, average performers and underperformers, with remuneration reflecting these gradients
- Strong incentives are created for superior performance
- Top contributors are awarded significantly higher performance bonuses
- Underperformers are not rewarded and active steps are taken to encourage the individual either to improve performance or leave the BIHL Group, 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 the BIHL Group'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. 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 the BIHL Group'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. The BIHL Group pays for all travelling and accommodation expenses in respect of Board and sub-committee meetings. Below is a summary of the remunerations of Directors for the year:

Name	Annual Retainer	Board Meeting	Audit and Risk Committee	Human Resources Committee	Subsidiary Boards	Nominations Committee	Other Committees/ Meetings	Total
B. Dambe-Groth	475,000	-	n/a	-	-	-	-	475,000
C. Chauhan	65,000	77,176	94,803	n/a	100,000	136,500	-	473,479
J. Hinchliffe	65,000	77,176	126,404	n/a	174,420	n/a	-	443,000
M. Mpugwa	65,000	77,176	n/a	56,700	100,000	n/a	250,352	549,228
Lt. Gen. Masire	65,000	77,176	n/a	n/a	n/a	n/a	-	142,176
**A. Roux	65,000	57,882	n/a	n/a	60,000	n/a	196,714	379,596
G. Hassam	65,000	77,176	n/a	56,700	80,000	68,250	-	347,126
**G van Heerde	65,000	77,176	287,644	n/a	80,000	n/a	-	509,820

Corporate Governance Report (continued)

Lead Independent Director

Mr. Chandra Chauhan is the BIHL Group Board's Lead Independent Director. The Lead Independent Director presides in meetings where the Chairman of the Board is absent and acts as a liaison between the Chairman of the Board and the Independent Non-Executive Directors.

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 King III governance principles 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 aspects of the BIHL Group business. Directors are obliged to recuse themselves from discussions on 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 the BIHL Group, their other directorships and their interests in contracts that the BIHL Group may conclude at least annually and as and when changes occur. The members of the Board have declared their interests and are free from any business or other relationships which could reasonably be said to interfere with the exercise of their judgement.

Dealings in Listed Securities

The BIHL Group complies with the BSE requirements in respect of share dealings by its Directors. In terms of the BIHL Group's closed-period policy, all Directors and staff are precluded from dealing in the BIHL Group 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 the BIHL Group securities by Directors and selected key employees is strictly adhered to. Similar trading policies regarding personal transactions in all financial instruments are enforced at the BIHL Group's portfolio investment companies. A summary of Directors' dealings is listed in note 19 of the Annual Financial Statements in 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.

Statutory Actuary

Mr. Edwin Splinter is an Independent Statutory Actuary who is not in the employ of the BIHL Group. He is responsible for assisting the Board in all actuarial matters and conducts the actuarial valuation of Botswana Life Insurance Limited. He is also responsible for all regulatory reporting to the Registrar of Insurance and for safeguarding the interests of 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 58

Communication with Stakeholders

The BIHL Group 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 the BIHL Group 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 6 March 2018 and 10 September 2018 during this financial year. In addition, face-to-face meetings with analysts and fund managers/trustees can be arranged when appropriate. The BIHL Group publishes its interim and annual results in the media when finalised and in addition, mails its Annual Report to all shareholders. Where there is an item of special business included in the Notice of the Annual General Meeting, it is accompanied by a full explanation of the implications of the proposed resolution. During the Annual General Meeting, as at other shareholder meetings, the Chairman provides reasonable time for discussion. Shareholders are always encouraged to attend the Annual General Meeting.

Forensics

The BIHL Group recognises that financial crime and unlawful conduct conflict with the principles of ethical behaviour, as set out in the Code of Ethical Conduct, and undermine the organisational integrity of the BIHL Group. 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 the BIHL Group's good standing. A zero-tolerance approach is applied to these matters and all alleged offenders are prosecuted. The BIHL Group has in place an anonymous hotline that stakeholders can use for reporting any wrongdoing in the business. The anonymous hotline ensures independence and best practice.

Compliance

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

The Compliance Framework Manual, which has been rolled out to the Subsidiary businesses, covers dissemination of new legislation, handling of regulatory visits, development/review of regulatory/compliance 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), the Retirement Funds Act 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 the BIHL Group, 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 the BIHL Group, the primary objective of the BIHL Group's strategy with respect to risk management is to optimise the BIHL Group's risk-adjusted return on capital and embedded value.

To ensure an optimal return, the BIHL Group determines an acceptable level of risk through the setting of risk appetites 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 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. Risk appetite and tolerance limits have been in place during this financial year and cover all material business activities of the BIHL Group. The performance of the BIHL Group against set risk appetites is reviewed by the Board half yearly.

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 the BIHL Group is evaluated on both a quantitative and 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 items of the risk escalation matrix. The Compliance framework outlines the compliance process and responsibilities. Policies, procedures and methodologies have been adopted and implemented throughout the BIHL Group that enable effective identification and management of risks. All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed. A detailed Risk Management Report is included on page 102 of this Annual Report.

Employment Equity and Localisation

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

Financial Reporting

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

Internal Audit

The BIHL Group 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 throughout the BIHL Group. 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 Group Audit and Risk Committee.

The authority, resources, scope of work and effectiveness of this function is reviewed regularly by the Audit and Risk Committee. The BIHL Group now also has a local internal audit department comprising a senior internal auditor and two junior internal auditors.

External Audit

The external auditors provide an independent assessment of the BIHL Group'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 the BIHL Group's business, sharing of information and minimisation of duplicated effort.

Company Secretary and Professional Advice

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

Approval of Annual Financial Statements

The financial statements of the BIHL Group 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 the BIHL Group by the Chairman and the BIHL Group Chief Executive Officer.

Going Concern

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

Corporate Governance Report (continued)

King III Integrated Report Checklist

At the core of the King III requirements is 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. It should also contain forward-looking information. With this overarching requirement, the BIHL Group has developed a checklist which aims to consolidate all the Integrated Reporting Disclosure requirements prescribed by King III.

This Integrated Reporting Disclosure checklist does not set out full details of the Corporate Governance Requirements as prescribed, but is rather a summary of the disclosure requirements. The BIHL Group was the first company in Botswana to include an Integrated Reporting Checklist in its Annual Report. This year's Checklist can be found on page 96. This provides an indication of how the Group is faring in terms of internationally recognised best practice. It shows that the BIHL Group has achieved significant progress in the past year and is generally well aligned with the King III recommendations. Plans are in place to ensure ongoing improvements and increased alignment where necessary. The BIHL Group remains acutely aware of the grave responsibility it carries regarding the expectations of its many investors, partners, shareholders and policyholders regarding the Group's sustainability. This will continue to drive the BIHL Group's commitment to achieving, and where possible exceeding, stakeholders' Corporate Governance expectations.

Our guiding principles for Best Practice in Corporate Governance remain the King III standards. The King Reports provide a suggested approach for businesses around the world to achieve maximum transparency. Transgressions by major organisations in the past have highlighted the dangers of a lack of transparency and full disclosure.

Application of King III Principles

Number	Principle	Status	Assessment
CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.1	The Board should provide effective leadership based on an ethical foundation	Applied	The BIHL Group is committed to the highest level of corporate governance, integrity and ethics. Ethics forms part of the values of the company and the Board. The Board provides effective leadership based on an ethical foundation.
1.2	The Board should ensure that the company is seen to be a responsible corporate citizen	Applied	Projects for corporate social investments are regularly assessed and the Board ensures that the company is a responsible corporate citizen.
1.3	The Board should ensure that the company's ethics are managed effectively	Applied	Ethical principles are always applied during decision making. The BIHL Group has implemented a mechanism for employees to report any perceived and alleged irregular or unethical behaviour in a confidential and controlled environment.
CHAPTER 2: BOARDS AND DIRECTORS			
2.1	The Board should act as the focal point for and custodian of corporate governance	Applied	The Board advocates adherence to sound governance principles by all entities in the BIHL Group. A formal Board Charter sets out the power and responsibilities of the Board. The Board is fully functional and leads and controls the Group. All issues of a material or strategic nature, or which can impact the reputation of the Group, are referred to the Board.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	Strategy, risk, performance and sustainability are considered collectively by the Board in the decision-making process.
2.3	The Board should provide effective leadership based on an ethical foundation	Applied	Ethics form part of the values of the Group and the Board.
2.4	The Board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The Board ensures that the Group is a responsible corporate citizen and in line with the image the Group would like to project.
2.5	The Board should ensure that the company's ethics are managed effectively	Applied	Ethics are the responsibility of the Board as a whole
2.6	The Board should ensure that the company has an effective and independent Audit Committee	Applied	The Audit Committee consists of two independent non-executive directors. The responsibilities of the Audit Committee are codified in the Charter, which is reviewed at least annually.
2.7	The Board should be responsible for the governance of risk	Applied	The Board is ultimately accountable for the Group's risk management process and system of internal control. In terms of a mandate by the Board, the Audit and Risk Committee monitors the risk management process and systems of internal control of the BIHL Group. The Risk Committee provides feedback to the Board on the effectiveness of the Group's risk management processes.
2.8	The Board should be responsible for Information Technology (IT) governance	Applied	The Board as a whole is responsible for information technology governance in the company.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	Compliance with all applicable laws and adherence to non-binding rules, codes and standards form part of the values of BIHL. Compliance with laws, rules, regulations and relevant codes is integral to the company's risk management process. The Audit and Risk Committee is responsible , inter alia, to ensure that an appropriate compliance framework is in place, that non-compliance is reported and to review significant compliance risk matters.
2.10	The Board should ensure that there is an effective risk-based internal audit	Applied	An Internal Group Auditor performs this function.
2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The Board monitors stakeholders' perceptions, considering the importance of the company's reputation.
2.12	The Board should ensure the integrity of the company's Integrated Report	Applied	Due care is applied during the completion of the integrated report to ensure its integrity. Sufficient controls are in place to ensure relevant, reliable and accurate reporting, as referred to in the external auditor's report.
2.13	The Board should report on the effectiveness of the company's system of internal controls	Applied	Reporting on the effectiveness of the company's internal controls is included in the Risk Management Report and the Audit Committee Report. The Audit and Risk Committee has, inter alia, considered the reports from the external auditors and satisfied itself about the adequacy and effectiveness of the Group's systems of internal control.
2.14	The Board and its Directors should act in the best interests of the company	Applied	The Board acts in the best interests of the company. The Board is evaluated annually by its members. Board members are also required to disclose any potential conflict of interest as and when necessary.
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	Explained	The solvency and liquidity of the BIHL Group is continuously monitored by the Board. The organisation has not been in a position of distress in the current year.
2.16	The Board should elect a Chairman of the board who is an Independent Non-Executive Director. The Chief Executive Officer of the company should not also fulfil the role of Chairman of the Board	Applied	The Board Chairman is independent and is not the Chief Executive Officer of the company
2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	Applied	The Board has appointed a Chief Executive Officer and a framework for the delegation of power has been established
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	Applied	Eight of the Board members are Non-Executive Directors, five of whom are independent.
2.19	Directors should be appointed through a formal process	Applied	Directors are appointed after a formal assessment and Board discussion, following reference and CV checks.

Corporate Governance Report (continued)

Number	Principle	Status	Assessment
2.20	The induction and ongoing training and development of Directors should be conducted through formal processes	Applied	The induction of Directors is conducted through a formal process which is facilitated by the Company Secretary.The Directors underwent training on Anti-Money Laundering and Countering Financing of Terrorism.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	Applied	Mr. Haig Ndzinge is a competent, suitably qualified and experienced Company Secretary for the BIHL Group.
2.22	The evaluation of the Board, its committees and the individual Directors should be performed every year	Applied	The Directors complete Board self-assessment questionnaires on an annual basis to evaluate the effectiveness of the Board and its members.
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	Committees make recommendations which are approved at Board level
2.24	A governance framework should be agreed between the Group and its Subsidiary Boards	Applied	A governance framework together with necessary levels of authority has been approved by the BIHL Board
2.25	Companies should remunerate Directors and Executives fairly and responsibly	Applied	The Board is of the view that Directors and Executives are remunerated on a basis that is fair and reasonable to both the employee and company.
2.26	Companies should disclose the remuneration of each individual Director and prescribed officer	Applied	The remuneration of Directors is disclosed within the remuneration philosophy report
2.27	Shareholders should approve the company's remuneration policy	Applied	Director remuneration is approved at the AGM each year.
CHAPTER 3: AUDIT COMMITTEES			
3.1	The Board should ensure that the company has an effective and independent Audit Committee	Applied	The Audit Committee consists of two independent Non-Executive Directors.
3.2	Audit Committee members should be suitably skilled and experienced independent Non-Executive Directors	Applied	Audit and Risk Committee members are suitably skilled and experienced. The Board believes that the current members of the committee are suitably skilled and experienced
3.3	The Audit Committee should be Chaired by an Independent Non-Executive Director	Explained	Although 50% of the Audit and Risk Committee membership consists of independent Non-Executive Directors, the Committee is not Chaired by an independent Non-Executive Director.
3.4	The Audit Committee should oversee integrated reporting	Applied	The Audit and Risk Committee is responsible for considering and making recommendations to the Board relating to the Group's Integrated Annual Report and results press releases.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied	The Audit Committee ensures that a combined assurance model is applied. We have also appointed an Internal Auditor.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	The Audit and Risk Committee performs an annual assessment of the Chief Financial Officer (CFO) and the Finance function. Based on the 2018 assessment, the Audit and Risk Committee is satisfied that the CFO and his management team have appropriate expertise and experience for the Group.
3.7	The Audit Committee should be responsible for overseeing of internal audit	Applied	An Internal Group Auditor has been appointed who will be performing this function.
3.8	The Audit Committee should be an integral component of the risk management process	Applied	This forms part of the Audit Committee's role and function

Number	Principle	Status	Assessment
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	This forms part of the Audit and RiskCommittee's role and responsibilities. During the period under review, the Committee has nominated independent external auditors,PricewaterhouseCoopers Inc., approved its fee and determined its terms of engagement. The appointment is presented to the shareholders of the ccompany at the Annual General Meeting for approval. The Committee is satisfied that the Group's external auditors are independent of the Group and are thereby able to conduct their audit functions without any influence from the Group.
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	Applied	The Audit and Risk Committee provide feedback to the Board at each Board meeting. Reports to shareholders are provided through the Audit and Risk Committee Report included in the integrated annual report.
CHAPTER 4: THE GOVERNANCE OF RISK			
4.1	The Board should be responsible for the governance of risk	Applied	Risk governance is performed by the Board.
4.2	The Board should determine the levels of risk tolerance	Applied	Risk levels are discussed at Board meetings
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	Applied	A separate Risk and Legal Committee assess the Group and entity levels' risks. A report is then presented to the Board.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the Risk Management Plan	Applied	The Board has delegated to management the responsibility to design, implement and monitor the risk management plan, andmanagement has done so to the satisfaction of the Board.
4.5	The Board should ensure that risk assessments are performed on a continual basis	Applied	The Board performs risk assessments on a continual basis.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	The Board and the Audit and Risk Committee have approved the Group Risk Management Framework and are satisfied that it is in line with best practice and suitable for anticipating unpredictable risks. All risk factors within the current business model are continually monitored.
4.7	The Board should ensure that management considers and implements appropriate risk responses	Applied	Appropriate risk response strategies in relation to the Group's major risks have been developed and implemented by management. The Risk and Executive Committee reviews the adequacy and effectiveness of these strategies to ensure that they are responsive to changes in the dynamic environment in which the Group operates.
4.8	The Board should ensure continual risk monitoring by Management	Applied	Risk-monitoring forms part of planning and decision making and is continuously performed.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process	Applied	This occurs at Board level. The Risk and Legal Committee reports to the Board in this regard
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	Disclosed in the Integrated Annual Report and further disclosures are assessed with timely, relevant, accurate and accessible risk disclosure to stakeholders when needed.

Corporate Governance Report (continued)

Number	Principle	Status	Assessment
CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY			
5.1	The Board should be responsible for Information Technology (IT) governance	Applied	The Board is responsible for IT governance
5.2	IT should be aligned with the performance and sustainability objectives of the company	Applied	Group and subsidiary IT systems and projects are in line with the overall objectives of the Group and expected benefits are specified and measured. The Group Executive Head of Information Technology is working with all subsidiaries to ensure that IT strategies and road maps are documented in a consistent manner.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	The Board discharges this responsibility to the Group Executive Head of Information Technology who oversees IT management and implementation.
5.4	The Board should monitor and evaluate significant IT investments and expenditure	Applied	All significant capital investment is approved by the Board and the status of implementation on projects is monitored by the Board throughout the process.
5.5	IT should form an integral part of the company's risk management	Applied	IT is considered as part of risk management. A business continuity plan has been formalised and tests performed on the back-up and disaster recovery processes.
5.6	The Board should ensure that information assets are managed effectively	Applied	The Board is comfortable with the current processes and controls. Information security policies are in place throughout the ccompany regulating, inter alia, the processing and protection of own and third party information.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	Applied	Feedback on IT-related risks are provided to the Board, and Audit and Risk Committee.
CHAPTER 6: COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS APPLIED			
6.1	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Board ensures compliance with applicable legislation and regulations through the establishment of legal frameworks within each Subsidiary/division.
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.	Applied	The Company Secretary is responsible for providing guidance to the Board collectively and to the Directors with regards to their responsibilities and powers, making them aware of legislation and regulations relevant to the Group and providing Board orientation and training when appropriate.
6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	Compliance duly forms part of the risk management process.
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	Applied	This is performed by the Audit and Risk Committee which oversees compliance processes, controls and procedures.
CHAPTER 7: INTERNAL AUDIT			
7.1	The Board should ensure that there is an effective risk based internal audit	Applied	This is in place as the Audit Committee directs Internal Audit to the various areas of concern.
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	The plan is agreed with the Audit Committee based on pertinent issues that need attention
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	Applied	This is in place and the assessment is done once a year.
7.4	The Audit Committee should be responsible for overseeing internal audit	Applied	The Internal Audit function reports directly to the Audit Committee.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Internal Audit function is independent from management and placed at the Group level

Number	Principle	Status	Assessment
CHAPTER 8: GOVERNING STAKEHOLDER RELATIONS			
8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	The Board monitors stakeholders' perceptions considering the importance of the Group's reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Applied	Stakeholder relationships are managed through a number of formal and informal communication mechanisms.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	Applied	All stakeholders are considered during decision-making.
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	The Group acts in accordance with the requirements of the Companies Act and Botswana Stock Exchange Listings requirements in respect of dealings with shareholders. Equitable treatment of shareholders is important and considered during decision-making.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	Communication with stakeholders is the responsibility of the Board. The BIHL Group's engagement with stakeholders is conducted in a transparent, balanced and truthful manner.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	The Board is informed of any disputes to ensure speedy and effective resolutions.
CHAPTER 9: INTEGRATED REPORTING AND DISCLOSURE			
9.1	The Board should ensure the integrity of the company's integrated report	Applied	Due care is applied during the ccompilation of the integrated report to ensure its integrity.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	The BIHL Group Annual Report is published and includes sustainability focus areas. Additional complementary information is provided within a detailed Sustainability Report
9.3	Sustainability reporting and disclosures should be independently assured	Explained	The BIHL Group is a financial services organisation and the sustainability component is not considered material enough to warrant independent assurance.

Risk Management

Risk Management forms an integral part of BIHL Group's business philosophy. Our clients are our main priority, and this is reflected in our approach towards offering insurance and investment products in which key risks are well mitigated. Our robust balance sheet and sound financial strategy enable an environment that is conducive to meeting our clients' expectations. We are acutely cognisant of the need for sound Risk Management and we continually identify and analyse risks to our own business in our endeavour to add value to all our stakeholders. We are committed to the highest standards of corporate governance.

Botswana Accountancy Oversight Authority (BAOA) carried out research to determine the most appropriate corporate governance model for Botswana by examining, among others, various sources of corporate governance practices currently in use in Botswana, each underpinned by the following Corporate Governance Principles:

- "apply or explain basis" as explained by King III
- "comply or explain basis"
- "comply or else"

Having carried out research, BAOA arrived at the conclusion that King III would be the most suitable for Botswana. Many entities listed on the Botswana Stock Exchange (BSE), including the BIHL Group, have adopted the King Code of Corporate Governance.

The Group's risk policy guidelines set the framework for management and its integration into corporate strategy. Our aim is to increase risk awareness among all our staff and establish a value-based risk culture at all corporate levels. We analyse opportunities and associated risk systematically and incorporate them into our business decisions on a transparent basis.

Combined Assurance Model

Combined Assurance allows visibility over the nature of assurance provided by who-ever within the Group and includes internal and external assurance assessments. Through this process, we are better able to understand our levels of assurance and where improvement is needed in order to effectively manage risk.

The BIHL Group implemented a Combined Assurance Model (CAM) at our two higher risk-susceptible subsidiaries, Botswana Life and Bifm. This is in line with principle 3.5 of the King III Code of Corporate Governance and was implemented in order to follow a coordinated approach across all assurance activities. The CAM is a living document that is continuously updated in line with changes in the business environment, strategy, processes and structure to ensure relevance and sound reporting to the appropriate forums. In this regard, an annual gap analysis of the document is carried out. We consider CAM at Botswana Life and Bifm level as appropriate given the risk profiles, business size and maturity of these entities. We have found that the CAM allows for a coordinated effort to identify and cover all key risks, with gaps on assurance oversight filled timeously. Transparency and reporting to the Board is improved, thus assisting disclosure to stakeholders. In addition, the Board and the Audit and Risk Committee are able to rely on this document to satisfy themselves that significant risk areas have been identified and suitable controls are in place.

THREE LINES OF DEFENCE GOVERNANCE MODEL

First Line of Defence (Management)

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

Second Line of Defence (Internal Assurance Providers)

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

Third line of defence Internal Auditors provide

The governing body and senior Management with comprehensive assurance based on the highest level of independence and objectivity within the organisation. Internal Audit provides assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second line of defence achieve risk management and control objectives.

New Legislation/Acts

The regulatory environment is changing at a rapid rate and in order to keep up with the regulatory requirements, the respective compliance functions conduct periodic impact analyses of new statutes and keep the business informed of the new changes.

Insurance Industry Act

The Act is yet to come into effect, however, the Group's plan to comply with the new legislative requirements is in place. The Business continues to monitor implementation of the compliance plan.

The Insurance Industry Regulations draft's impact was also analysed and comments thereon were shared with the Regulator and the Business.

Retirement Funds Act

The Act has been in effect since April 2017. A compliance plan was developed following an impact analysis of the legislation. The compliance plan is implemented through a project which included the registration of a Retirement Annuity Fund (RAF). All the requirements for the registration and licensing of the RAF were duly submitted to NBFIRA and the application is currently being assessed by the Regulator.

FIA Act

Financial Intelligence (Amendment) Act Though the Financial Intelligence Act (FIAct) was introduced in 2009, the results of a National Risk Assessment report released in 2017 highlighted compliance gaps which necessitated the Insurance Industry and other Financial Institutions tightening their internal controls to combat risks of money laundering and financing of terrorism.

The BIHL Group has developed plans to close all the gaps in order to fully comply. Group Legal, Risk and Compliance functions across the Group have also attended various regulatory forums to ensure meaningful participation in and contribution to the nonbanking financial services industry.

The amended Act introduced improvements, especially the risk-based approach, which will go a long way in reducing the burden of Know Your Customer (KYC) requirements on low risk products such as funeral policies with micro insurance. The Anti-Money Laundering (AML)/ Combating of Financing Terrorism & Proliferation Policy (CFT) standard operating procedures were reviewed in alignment with the legislative changes

Risk Management (continued)

RISK

Types
The Group is exposed to the following main risks:

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

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

Risk Management (continued)

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

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

Business Continuity Management

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

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

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

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Financial Statements

Directors' Report

The Board of Directors of Botswana Insurance Holdings Limited ("the Company") has pleasure in submitting its report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

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 2018 of P371 million (31 December 2017: P349 million). Shareholders' equity at 31 December 2018 was P2.841 billion (31 December 2017: P2.958 billion). The results are fully explained in the financial statements.

Stated Capital

The issued and fully paid share capital at 31 December 2018 of 282,370,652 ordinary shares (December 2017: 282,370,652).

Dividends

A gross interim dividend of 60 thebe (2017: 55 thebe) per share was declared during the year. The directors propose a final dividend of 67 thebe (2017: 67 thebe) per share and a special dividend of 16 thebe (2017: 35 thebe), making the total dividend for the year 143 thebe per share (31 December 2017: 157 thebe per share).

Directors' Shareholdings

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company was 241,720 (31 December 2017: 214,087). Details of the holding of these shares are disclosed in note 19 to the financial statements.

Events Subsequent to the Reporting Date

Refer to Note 28 to the financial statements for the disclosures on events subsequent to the reporting date

Directorate

B. Dambe-Groth - Chairman
C. Chauhan
G. van Heerde
J. Hinchliffe
M. Mpugwa
Lieutenant General T. Masire
A. Roux
G. Hassam
C. Lesetedi - Group Chief Executive Officer

Company Secretary and Registered Address

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

Independent Auditor

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

Statutory Actuary

Edwin Splinter

Bankers

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

Directors' Statement of Responsibility

The Directors of the Group and Company are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Insurance Industry Act (CAP 46:01) and the Companies Act (CAP 42:01).

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

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

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

The annual financial statements set out here were authorised for issue by the Board of Directors on the 6th March 2019 and were signed on their behalf by:

B Dambe-Groth
Chairman

C Lesetedi
Group Chief Executive Officer

Independent Auditor's Report

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

Opinion

We have audited the consolidated and separate financial statements of Botswana Insurance Holdings Limited (the Group) set out on pages 115 to 215, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate income statements, statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Insurance Holdings Limited as at 31 December 2018, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act (CAP 46:01).

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of policyholder insurance contract liabilities (Consolidated financial statements) Botswana Insurance Holdings Limited (the Group) has significant policyholder insurance contract liabilities stated at P9,85 billion at December 31, 2018 representing 76% of the Group's total liabilities. We considered the valuation of policyholder liabilities under insurance contracts to be significant to the audit of the Group. This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder insurance contract liabilities. We have identified the following areas of focus in relation to the valuation of insurance contract liabilities: • Actuarial methodologies used in the valuation involve judgements about future events, both external and internal to the Group, for which small changes may result in a material impact to the valuation of insurance contract liabilities. Consistent with the insurance industry, BIHL uses valuation models to support the calculations of the policyholder insurance contract liabilities. The complexity of the models may give rise to errors because of inadequate/incomplete data or the design or application of the models. • Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and economic assumptions are key inputs used to estimate these long-term liabilities. Significant judgement is applied in setting these assumptions.	The following audit procedures that were executed with the assistance of our actuarial specialists, across the areas considered material: • We assessed the appropriateness of the methodologies and models used, which may vary depending on the specifications of the insurance policy. • We assessed the consistency of valuation methodologies applied against prior years. • We assessed the design and operating effectiveness of key controls over the actuarial process including management's determination and approval process for setting of economic and actuarial assumptions. • Our assessments of the assumptions included challenging the reasonableness, as necessary of specific economic and actuarial assumptions, considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences. • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements. • We considered the level of margins held, management's justification for holding these margins and how these will be released in the future. • Where manual adjustments were made to the valuation model outputs outside the standard processes, we performed testing necessary, on a sample basis, to validate the nature and accuracy of the adjustments.

Independent Auditor's Report (Continued)

Key Audit Matter	How the matter was addressed in the audit
• Data is a significant input into the valuation process. The valuation of insurance contract liabilities incorporates many inputs which are dependent on numerous procedures and systems for precise and comprehensive data. A collapse in the systematic functioning of these processes and systems could result in a misstatement of the value of insurance contract liabilities. Refer to the 2018 section of the accounting policies, Note 5 of the Group financial statements (Significant accounting judgements, estimates and assumptions) and Note 8 of the Group financial statements.	• We performed procedures to evaluate management's grouping of data for input into the actuarial valuation models. • We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy administration systems and the actuarial data extract from the actuarial valuation systems. • We also assessed the adequacy and completeness of the disclosures regarding these liabilities in the consolidated financial statements to determine they were in accordance with IFRS.
2. Valuation of unlisted investments (Consolidated financial statements) We considered the valuation of unlisted investments to be significant to the audit because of the materiality to the Group's Annual Financial Statements and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement. We considered private equity and unlisted debt as the financial instruments most sensitive to unobservable inputs. As at 31 December 2018 the Group had collateralised lending, the recoverability of which was affected by the suspension of one of the counter-parties on the Botswana Stock Exchange. This heightened the level of counterparty risk to the Group. Refer to Note 5 of the Group financial statements (Significant accounting judgements, estimates and assumptions) and Note 4.1 & 4.2 of the Group financial statements.	We performed the following audit procedures, amongst others: • We assessed the methodology and the appropriateness of the valuation models used to value the unlisted investments. • We assessed the accuracy of key inputs used in the valuation by comparing the expected cash flows to contracted amounts, comparing the risk-free rates to external data and benchmarking the credit spreads to the internal group matrix localised for country specific factors where necessary. • We involved our internal valuation specialists to reconstruct the yield curve used for the valuation of unlisted bonds. • We also evaluated the company's assessment of whether objective evidence of impairment exists for individual investments. • We assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with IFRS disclosure requirements, specifically the fair value hierarchy disclosures. • We compared the assumptions used in the group's models and methodologies to independent external parties where possible. • Where valuation inputs were unobservable we involved our valuation experts to assist us in assessing these inputs. • We assessed that assumptions and inputs used are consistent, in all material respects, with the business' past performance and the general economic environment in which the entity operates, where relevant. • On collateralised lending we inquired from management and obtained information on known legal processes instituted. • We obtained evidence for all material matters considered in setting the recoverable amount of the collateralised lending, including evidence of collateral held and subordination agreements where possible.
3. Assessment of impairment of the Group's investment in Letshego Holdings Limited (Consolidated Financial Statements) The assessment of impairment of Letshego Holdings continued in the current year due to the diverse economic and regulatory environments in which it operates. Letshego is listed on the Botswana Stock Exchange and operates in Botswana with subsidiaries in a number of African countries. The determination of the appropriateness of the assumptions such as growth rates and risk discount rates used in the discounted cash flow (DCF) model which is used to assess the potential impairment of the associate required significant judgement. During the year, changes were made on two key assumptions which are the loan loss rate and the effective tax rate. These have high sensitivity to the ultimate DCF valuation amount. In addition, the implementation of the IFRS 9 standard on financial instruments which was adopted by the associate on 1 January 2018 was considered to have a significant impact on the share of profit from the associate which materially affects the final valuation. Refer to Note 5 of the Group financial statements (Significant accounting judgements, estimates and assumptions) and Note 4.5 of the Group financial statements.	We performed the following audit procedures, among others: • We evaluated the cash flow projections used for valuation against the associate's most recent financial performance and considered the appropriateness of key inputs. • We focused on the long-term growth rates used to extrapolate the cash flows and the risk discount rates. We compared these to available industry, economic and financial data, and to market outlook. • We assessed the historical accuracy of management's forecasts, and compared current performance to forecasts. • We involved our internal valuation specialists to assist in performing and evaluating the Discounted Cash Flow models, particularly in determining the risk discount rate for this associate. • We also assessed the adequacy and completeness of the disclosures regarding the associates in the consolidated financial statements to determine they were in accordance with IFRS. • We held discussions with BIHL management, the component auditor, and Letshego management to evaluate the conclusions reached when calculating and assessing the reasonability of the loan loss ratio and the overall impact of IFRS 9 on the share of profit from the associate.

Independent Auditor's Report (Continued)

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

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements
The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Insurance Industry Act (CAP 46:01), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst + Young

Ernst & Young
Practicing member: Thomas Chitambo

Partner
Certified Auditor
Membership number: 20030022
Gaborone

6 March 2019

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

Group Consolidated Statement of Financial Position

	Note	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
ASSETS					
Property and equipment	2	155,320	155,350	4,224	5,242
Intangible assets	3	99,454	92,273	1,085	1,227
Investment property	4.4	117,344	112,101	-	-
Investments in associates and joint ventures	4.5	1,577,409	1,714,610	256,324	236,880
Long-term reinsurance assets	8.6	6,350	2,417	-	-
Interest in subsidiaries	4.5	-	-	112,033	301,217
Non-current asset held for sale	4.6	47,688	54,222	-	-
Financial assets at fair value through profit or loss		13,340,130	12,960,069	-	-
Bonds (Government, public authority, listed and unlisted corporates)	4.1	8,031,912	7,585,630	-	-
Investment in property funds and companies	4.4	294,132	244,021	-	-
Equity investments (Local and foreign)	4.2	3,415,317	3,656,189	-	-
Other loan advances	4.3	393,951	496,229	-	-
Money market instruments	4.1	1,204,818	978,000	-	-
Loans at amortised cost	4.3	50,000	-	-	-
Insurance and other receivables	5	304,585	290,858	656	2,414
Tax refund due	16	-	4,809	-	-
Related party balances	19	-	-	41,878	54,391
Cash, deposits and similar securities	23	112,844	184,254	63,504	82,368
Total assets		15,811,124	15,570,963	479,704	683,739
EQUITY AND LIABILITIES					
Equity attributable to equity holders of parent					
Stated capital	6	154,936	154,936	154,936	154,936
Non - distributable reserves	7	323,449	397,914	31,743	28,608
Retained earnings		2,340,180	2,388,707	242,840	453,418
Total equity attributable to equity holders of parent		2,818,565	2,941,557	429,519	636,962
Non- controlling interests	9	22,008	16,823	-	-
Total equity		2,840,573	2,958,380	429,519	636,962
Liabilities					
Policyholder liabilities under:	8	12,521,188	12,218,341	-	-
Insurance contracts		9,859,345	9,388,540	-	-
Investment contracts		2,661,843	2,829,801	-	-
Deferred tax liability	10	13,695	9,702	-	892
Insurance and other payables	11	393,813	364,724	23,295	21,511
Tax payable	16	2,428	-	738	1,845
Related party balances	19	17,632	4,134	26,152	22,529
Liabilities classified as held for sale	4.6	21,795	15,682	-	-
Total equity and liabilities		15,811,124	15,570,963	479,704	683,739

Group Consolidated Income Statement

	Note	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Revenue					
Net insurance premium income	12	2,349,017	2,320,046	-	-
Gross insurance premium income		2,397,369	2,351,260	-	-
Insurance premium ceded to reinsurers		(48,352)	(31,214)	-	-
Other investment income		825,072	719,020	449,209	428,806
Revenue from contracts with customers	12.1	107,021	103,075	-	-
Investment income	13	142,698	658,193	446,670	428,806
Interest income using EIR	13	11,065	-	2,539	-
Other interest income	13	615,050	-	-	-
Profit on sale of associates		-	12,993	-	-
Net loss from financial assets held at fair value through profit and loss	13.1	(50,762)	(55,241)	-	-
Total revenue		3,174,089	3,039,066	449,209	428,806
Net insurance and investment contract benefits and claims		(2,145,572)	(2,027,157)	-	-
Gross insurance benefits and claims	14	(1,499,330)	(1,381,519)	-	-
Reinsurance claims	14	12,229	6,992	-	-
Change in liabilities under investment contracts	8.1	(191,599)	(64,932)	-	-
Change in policyholder liabilities under insurance contracts	8.1	(470,805)	(588,217)	-	-
Change in contract liabilities ceded to reinsurers	8.6	3,933	519	-	-
Expenses		(619,231)	(660,458)	(201,608)	(15,184)
Sales remuneration		(310,895)	(336,295)	-	-
Administration expenses	15	(306,229)	(324,163)	(201,608)	(15,184)
Impairment losses	5	(2,107)	-	-	-
Profit before share of profit of associates and joint ventures		409,286	351,451	247,601	413,622
Share of profit of associates and joint ventures	4.5	166,904	245,068	-	-
Impairment of associate	4.5	(114,033)	(172,141)		
Profit before tax		462,157	424,378	247,601	413,622
Income tax expense	16	(95,694)	(76,092)	(738)	(24,580)
Profit for the year from continuing operations		366,463	348,286	246,863	389,042
Discontinued operations					
Profit for the year from discountinued operations	4.6	4,069	1,041	-	-
Profit for the year		370,532	349,327	246,863	389,042
Profit attributable to:					
- Equity holders of the parent from continuing operations		366,607	348,016	246,863	389,042
- Equity holders of the parent from discontinuing operations	4.6	4,069	1,041	-	-
- Non-controlling interests from continuing operations	9	(144)	270	-	-
		370,532	349,327	246,863	389,042
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)					
- basic	17	135	127		
- diluted	17	135	126		
Earnings per share (thebe) from continuing operations					
- Basic		133	126		
- Diluted		133	125		

Group Consolidated Statement of Comprehensive Income

	Notes	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Profit for the year		370,532	349,327	246,863	389,042
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation of foreign operations	7	2,538	(33,589)	-	-
Total comprehensive income for the year		373,070	315,738	246,863	389,042
Total comprehensive income attributable to:					
- Equity holders of the parent		369,145	314,427	246,863	389,042
- Equity holders of the parent from discontinuing operations		4,069	1,041	-	-
- Non-controlling interests		(144)	270	-	-
		373,070	315,738	246,863	389,042

Group Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the parent					Equity attributable to equity holders of the parent						
	Stated capital	Treasury shares	Share based payment reserve	Capital Reserve Account	Solvency Reserve Account	Foreign currency translation reserve	Consolidation reserve	Total non-distributable reserves	Retained income	Total	Non-controlling interest	Total Equity
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Group												
Balance at 1 January 2017	130,821	(65,747)	117,171	633,562	946	(129,791)	(111,872)	444,269	2,341,424	2,916,514	20,583	2,937,097
Total comprehensive income	-	-	-	-	-	(33,589)	-	(33,589)	349,057	315,468	270	315,738
Profit for the year	-	-	-	-	-	-	-	-	349,057	349,057	270	349,327
Foreign currency translation	-	-	-	-	-	(33,589)	-	(33,589)	-	(33,589)	-	(33,589)
Share based payment expense (Note 7)	-	-	8,109	-		-	-	8,109	-	8,109	-	8,109
(Transfer to statutory reserves)/transfer from retained income	-	-	(42,100)	26,946	507	-	-	(14,647)	14,647	-	-	-
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	-	-	-	(7,509)	(7,509)	7,509	-	-	-
Cost of treasury shares (acquired)/disposed	-	8	-	-	-	-	1,273	1,281	(4,079)	(2,799)		(2,799)
Dividends paid	-	-	-	-	-	-	-	-	(342,906)	(342,906)	(4,030)	(346,936)
Issue of new shares	24,115	-	-	-	-	-	-	-	-	24,115	-	24,115
Other movements in reserves	-	-	-	-	-	-	-	-	51,875	51,875	-	51,875
Change in reserves in associates	-	-	-	-	-	-	-	-	(28,820)	(28,820)		(28,820)
Balance at 31 December 2017	154,936	(65,739)	83,180	660,508	1,453	(163,380)	(118,108)	397,914	2,388,707	2,941,557	16,823	2,958,380
IFRS 9 Transition adjustment	-	-	-	-	-	-	-	-	(38,724)	(38,724)	-	(38,724)
Balance at 01 January 2018	154,936	(65,739)	83,180	660,508	1,453	(163,380)	(118,108)	397,914	2,349,983	2,902,833	16,823	2,919,656
Total comprehensive income	-	-	-	-	-	2,538	-	2,538	370,676	373,214	(144)	373,070
Profit for the year	-	-	-	-	-	-	-	-	370,676	370,676	(144)	370,532
Foreign currency translation	-	-	-	-	-	2,538	-	2,538	-	2,538	-	2,538
Share based payment expense (Note 7)	-	-	8,642	-		-	-	8,642		8,642	-	8,642
(Transfer to statutory reserve)/ Transfer from retained income	-	-	-	(88,593)	-	-	-	(88,593)	88,593	-	-	-
(Transfer from consolidation reserve)/ Transfer to retained income *	-	-	-	-	373	-	3,837	4,210	(4,210)	-	-	-
Cost of treasury shares (acquired)/disposed	-	(13)	-	-	-	-	(1,961)	(1,974)	3,782	1,808	-	1,808
Dividends paid	-	-	-	-	-	-	-	-	(457,441)	(457,441)	-	(457,441)
Change in ownership without loss of control (Note 7)	-	-	-	-	-	-	-	-	(5,329)	(5,329)	5,329	-
Other movements in reserves	-	-	-	712	-	-	-	712	(5,874)	(5,162)	-	(5,162)
Balance at 31 December 2018	154,936	(65,752)	91,822	572,627	1,826	(160,842)	(116,232)	323,449	2,340,180	2,818,565	22,008	2,840,573
Company												
Balance at 1 January 2017	130,821	-	15,301	9,762	-	-	-	25,063	382,702	538,586	-	538,586
Profit for the year	-	-	-	-	-	-	-	-	389,042	389,042	-	389,042
Share based payment expense	-	-	3,545	-	-	-	-	3,545	-	3,545	-	3,545
Issue of new Shares	24,115	-	-	-	-	-	-	-	-	24,115	-	24,115
Dividends paid	-	-	-	-	-	-	-	-	(318,326)	(318,326)	-	(318,326)
Balance at 31 December 2017	154,936	-	18,846	9,762	-	-	-	28,608	453,418	636,962	-	636,962
Profit for the year	-	-	-	-	-	-	-	-	246,863	246,863	-	246,863
Share based payment expense	-	-	3,135	-	-	-	-	3,135	-	3,135	-	3,135
Dividends paid	-	-	-	-	-	-	-	-	(457,441)	(457,441)	-	(457,441)
Balance at 31 December 2018	154,936	-	21,981	9,762	-	-	-	31,743	242,840	429,519	-	429,519

Total dividend per share for the year was 162 thebe per share (2017:122 thebe) gross of withholding tax

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

Group Consolidated Statement of Cash Flows

	Note	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Net cash flows from operating activities		383,369	1,047,859	(27,446)	83,489
Cash generated from operations	22	557,053	1,206,418	(16,220)	(557)
Interest received		97,323	88,360	2,539	823
Dividend received from equity investments		119,365	89,597	-	-
Dividend received from subsidiaries		-	-	446,413	423,955
Dividend received from associates and joint ventures		151,533	101,354	-	-
Tax paid	16.1	(84,464)	(90,934)	(2,737)	(22,406)
Dividend paid		(457,441)	(346,936)	(457,441)	(318,326)
Net cash flows utilised in investing activities		(454,779)	(1,682,885)	8,582	(15,527)
Purchase of property and equipment	2	(6,267)	(9,296)	(161)	(271)
Purchase of computer software	3	(14,744)	(5,835)	(627)	(456)
Proceeds from sale of investment in associates, joint ventures and subsidiaries	4.5	-	232,661	9,370	-
Purchase of investment in associates, joint ventures and subsidiaries	4.5	(3,056)	-	-	(14,800)
Acquisition of investments		-	(1,900,415)	-	-
Purchase of bonds		(464,411)	-	-	-
Withdrawals of equity investments		201,637	-	-	-
Repayment of loan advances		52,278	-	-	-
Purchase of money market instruments		(220,216)	-	-	-
Net (decrease)/increase in cash and cash equivalents		(71,410)	(635,026)	(18,864)	67,962
Cash and cash equivalents at the beginning of the year		184,254	819,280	82,368	14,406
Cash and cash equivalents at the end of the year	23	112,844	184,254	63,504	82,368

The money market instruments on the face of the SOFP amounting to P1,205 million (2017: P978 million) are policyholder assets and are not available for use by BIHL. As a result, the change in cash flows of the money market instruments have been included in the net cash flows from investing activities on the statement of cash flows.

Basis of Presentation and Accounting Policies

GENERAL INFORMATION

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

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

The Group's ultimate parent company, Sanlam, holds 59% of the Company's stated capital. Sanlam is one of the leading financial services groups in South Africa. It is listed on the JSE Securities Exchange in Johannesburg and on the Namibian Stock Exchange.

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Group and company annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act (CAP 42:01), the Insurance Industry Act (Cap:46:01) and the Botswana Stock Exchange Act. The financial statements have been prepared on the historical cost convention, modified by measurement at fair value for financial assets, policyholder liabilities and investment properties. The accounting policies of the Group are the same as the accounting policies for the Company, except for accounting policies regarding the investments in subsidiaries, associates and joint venture.

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

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on page 127. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

2. BUSINESS COMBINATIONS

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

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

3. CHANGES IN ACCOUNTING POLICIES

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

New or revised standards	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	1 January 2018

The impact of the changes resulting from adoptions of IFRS 2, IFRS 9 and IFRS 15 are noted below. The Group has not early adopted any standards interpretations or amendments that have been issued but are not yet effective.

Basis of Presentation and Accounting Policies (Continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.
The Group has applied IFRS 9 by adopting a modified retrospective approach, with the initial application date of 1 January 2018. There has been no re-classification of assets and liabilities as a result of the adoption of IFRS 9. However, as a result of changes in the measurement and recognition of impairments, from the incurred method under IAS 39 to the expected credit loss (ECL) method under IFRS 9, the retrospective application of the expected credit loss method has had the following effect on the financial statements of the Group;

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

Financial Assets	Adjustment Notes	1 January 2018 P'000
Agent and broker loans	b	(1,099)
Trade and other Receivables	b	866
Net Change- immaterial at BIHL Group		**(233)**
Equity		
Retained Income (at Botswana Life Level)		**233**
Arising from Associates		
Associates NICO Holdings Limited		(1,872)
Associate- Letshego Holdings Limited		(36,852)
Total impact at BIHL Group level on the SOCIE		**(38,724)**

a) Classification and measurement

Under IFRS 9, financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Group's business model for managing the financial instruments; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets

The classification and measurement requirements of IFRS 9 did not have an impact on the Group. No financial assets or liabilities were reclassified as a result of adoption of IFRS 9 from 1 January 2018

b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9, which has not been adjusted for in the Retained Earnings because it was considered immaterial:

Botswana Life Insurance Limited	Allowance for impairment under IAS 39 at 31 December 2017	Re-measurement	ECL under IFRS 9 as at 1 January 2018
	P'000	**P'000**	**P'000**
Financial Assets			
Agents and broker loans	16,769	(1,099)	15,670
Trade and other receivables	-	866	866
Net Change at Botswana Life Level- immaterial at BIHL Group Level	**16,769**	**(233)**	**15,536**

There were no ECLs that arose from Botswana Insurance Fund Management Limited & Legal Guard.

Basis of Presentation and Accounting Policies (Continued)

IFRS 15 Revenue from Contracts with Customers Insurance Contracts

Given that insurance contracts are scoped out of IFRS 15, standard does not have an impact on revenue from insurance contracts (since its scoped into IFRS 4) but it will have an impact on Fee income.

Fee Revenue

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and superseded all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group performed an assessment of IFRS 15 and its impact on the existing customer mandates into the future. The customer mandates reviewed relate to management fees which are linked to BIFMs performance of investment portfolio management services. The fees accrue as the services are rendered and are directly deducted from the portfolios under management.

The Group adopted the new standard on the 1 January 2018 with an impact to the disclosure of fee revenue and no further impact to the results, cash flows or financial position of the Group.
The following disclosure changes were effected prospectively:

- Management fees, which constitute the customer contract revenue and were already disclosed separately on the face of the Group consolidated income statement, were renamed to "Revenue from contracts with customers".
- IFRS 15 required a further disaggregation of revenue by its nature and segment. All the revenue was generated in one geographical segment and accrued evenly over time except for one specific contract which had specific performance obligations. The performance related fees were disclosed separately along with the performance criteria and IFRS 15 considerations. Refer to note 12.1-Notes to the Financial Statements.

Leases

IFRS 15 will have an impact on IFRS 16 Leases as lessors will use the guidance from IFRS 15 when allocating transaction prices to separate components of the lease.

Standards issued but not yet effective

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

New or revised standards and interpretations:

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
AIP IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes - Income tax consequences of payments on financial instrument classified as equity	1 January 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	1 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019
The Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17 Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred indefinitely

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Company except for IFRS 16 and IFRS 17 as listed below:

IFRS 16 Leases

The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.
The Group sub-leases part of its owner-occupied property in Gaborone, while it is a lessee of properties from third parties.

Basis of Presentation and Accounting Policies (Continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

There is no anticipated impact on sub-leasing of the owner-occupied offices. As at 31 December 2018 these leases have a remaining life of between 3 months and 6 years. Applying IFRS 16 on the leasing of the 9 branch offices, will have the following impact on January 2019:

	Dr	Cr
	Pula	**Pula**
Right-of-use lease asset	9,106,504	
Lease liability		9,176,653
Retained Income	70,149	

IFRS 17 Insurance Contracts

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

Key requirements

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

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

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

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

Initial work performed on the impact of IFRS 17 indicates that there will be a significant impact on the underlying valuation models, systems and processes. The Group is in the process of assessing the requirements of the standard against current data, processes and valuation models and is expected to finalise this assessment during 2019.

Basis of Presentation and Accounting Policies (Continued)

4. ABBREVIATIONS AND KEY

A list of insurance specific abbreviations used throughout the publication:

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

A glossy of insurance specific terminology:

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

Basis of Presentation and Accounting Policies (Continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

The balance of policyholder liabilities at 31 December 2018 was P9,855 million (31 December 2017: P P9,386 million). Refer to statutory actuary's report for assumptions on the actuarial valuation of the liability.

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

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

The judgements include considerations of liquidity risk, credit risk, and model inputs such as discount rates, prepayment rates and default rate assumptions for asset backed securities.

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

The carrying amount of these instruments at year end was P 885 million (2017: P731 million).

(iii) Impairment of financial assets

Financial assets at amortised cost have been impaired based on the expected cash flows, discounted at the current rates applicable for items with similar terms and risk characteristics. This impairment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to uncertainty. Impairment losses written off in the current year amounted to PNIL (31 December 2017: P10 million).

(iv) Impairment of non-financial assets

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

(v) Determination of fair value of investment properties

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

(vi) Deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised to the extent that it is probable that there will be sufficient taxable temporary differences to net off against the deductible temporary difference or sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

Basis of Presentation and Accounting Policies (Continued)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(vii) Liability for Life Insurance Contracts

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

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

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

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

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

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

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

The carrying value at the reporting date for Life Insurance contract liabilities are P9,855 million (31 December 2017: P9,386 million) - refer to note 8.1 for assumptions on the actuarial valuation of the liability.

Bonus stabilisation reserves

The Group business and individual stabilised bonus portfolios are valued on a retrospective basis.If the fair value of the assets in such a portfolio is greater than the actuarial liabilities, a positive bonus stabilisation reserve is created which will be used to enhance future bonuses.

Conversely, if the fair value of assets is less than the actuarial liabilities, a negative bonus stabilisation reserve is created.A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Bonus stabilisation reserves are included in long-term policy liabilities. The carrying value included in the liabilities is P30.5 million (2017: P36.7 million)
Refer to statutory actuary report for assumptions on the actuarial valuation of the liability.

Provision for future bonuses
Future bonuses of 3% (2017: 3%) per annum are allowed for in the gross premium valuation.

Reversionary bonus business
The business is valued on a prospective basis assuming 3% (2017: 3%) per annum bonus rates going forward and allowing for prescribed margins.

Individual stable bonus and market-related business
For policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets.No second tier margins are held on this business, except to the extent that negative Pula reserves are eliminated. The carrying amount is P33.5 million (2017: P38 million)

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

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

As the company does not have significant history of claims from which to develop a claims development pattern, industry averages are used to estimate the IBNR reserve at year-end combined with management's evaluation of the relationship between the business lines and the industry rates. The average industry rates are based on 10% of net written premiums after considering the reinsurance premiums. The claims provision for Legal Guard is based on 10% of claims as allowed by the regulator. The carrying amount of the provision at reporting date was P4.2 million (2017: P4.5 million). Refer to note 11.

Basis of Presentation and Accounting Policies (Continued)

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

(ix) Unexpired risk provisions

An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regards to events that have occurred prior to reporting date. Unexpired risks surpluses and deficits are aggregated where business classes are managed together. No unexpired risk provision was raised at 31 December 2018 or 31 December 2017 as management did not have any reason to provide for this at year-end.

(x) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):
Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).
The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

The Group measures a number of items at fair value.

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

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

(xi) Classification of joint arrangements

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

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

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

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

(xii) Valuation of investments in associates

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

6. OFF-BALANCE SHEET SEGREGATED FUNDS

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and VAT.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods and services was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Specifically, revenue is recognised as follows:

a) Fees for investment management services
arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.
In the current period the Group has adopted IFRS 15 Revenue from contracts with customers. See section above for details of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. There-fore revenue in the comparative period is accounted for in accordance with IAS 18 Revenue.

Policy effective from 01 January 2018 (IFRS 15)

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

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation
   The Group earns its fee revenue from investment management fees, dividends, rental, fair value appreciation on financial instruments and interest. The five-step approach is only relevant to investment management fees which are derived from mandates with customers. Specifically, revenue is recognised as follows:

Revenue from contracts with customers

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

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) 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.

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

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

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

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

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

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

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts by making use of a prepayment account and adjusting the reinsurance expense in the reporting period.

Reinsurance assets

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

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

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

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

Benefits, claims and expenses recognition

Gross benefits and claims
Life insurance policy claims received up to the last day of each financial period are provided for and included in policy benefits.

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

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of the payment date or the date on which the policy ceases to be included in long-term policy liabilities.

Provision is made for underwriting losses that may arise from unexpired insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

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

Claims handling costs are accounted for separately.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Amounts recoverable from reinsurers or 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 2018. The reporting dates of the subsidiaries and the Group are within three months of the Group's reporting date and all use consistent accounting policies. In the company only accounts, Subsidiaries, associates and Joint ventures are accounted for at cost less accumulated impairment losses.

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

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

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:
Derecognises the assets (including goodwill) and liabilities of the subsidiary

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

(ii) Associates
Investments in associates are accounted for using the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other comprehensive income/equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. The Group's share of post-acquisition profits or losses are based on the earnings attributable to the owners of the associates (after tax and non-controlling interest in the associates). Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence even if it has less than 20% voting rights, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's investment in associates includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to 'share of profit/(loss) of an associate' in the income statement.

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

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

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

Investment properties

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

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (under IAS 39)

IAS 39 is applied to comparatives and IFRS 9 for current year numbers.

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

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

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

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

Financial instruments at fair value through profit or loss

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

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

(b) Upon initial recognition it is designated by the entity as at fair value through profit or loss, because either
- (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The fair values of quoted investments are based on the closing market prices at the close of business on the reporting date.

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

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

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

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

Loans and receivables

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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;

Financial liabilities at fair value through profit or loss

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

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;

The policyholder liabilities are measured at fair value through profit or loss

Financial liabilities at amortised cost

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

Derecognising financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets and non-financial assets

(i) Financial assets at amortised cost

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about among other things the following loss events:
- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d) it becomes 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.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been at the measurement date, had the impairment not been recognised in the past. The amount of the reversal is recognised in profit or loss.

(ii) Non- financial assets
Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. For the purposes of assessing impairment, assets are first assessed for impairment purposes on an individual basis unless the recoverable amount cannot be determined on this basis, in such an instance the assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates.

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

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

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

Financial instruments (under IFRS 9)

IAS 39 is applied to comparatives and IFRS 9 for current year numbers

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

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

Initial recognition & measurement
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets at amortised cost comprise of trade and other receivables and amounts owing by related parties.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis.

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the income statement as net loss from financial assets held at fair value through profit and loss.

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

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

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

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

Financial liabilities

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

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Impairment of non-financial assets
Assets that are subject to depreciation/amortisation, except intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units) that are largely independent from cash inflows generated by other asset(s) or group(s) of assets. Non-financial assets are only considered in cash generating units if the individual asset cannot generate cash inflows that are largely independent from cash inflows generated by other asset(s) or group(s) of assets.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase

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

Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and funds on deposit.

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

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences on remeasurement and settlement of monetary items are taken to profit or loss. 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 Aflife Holdings Zambia Limited, is Zambian Kwacha. The group is also invested in an associated company in Malawi whose functional currency is the Malawian Kwacha. As at the reporting date, the assets and liabilities of the associate and subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the income statement is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the profit or loss with disposal of the subsidiary.

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

Buildings	20 years
Furniture and fittings	5 – 10 years
Computer equipment	4 years
Motor vehicles	4 years

Leasehold improvements lower of lease term and useful life of improvements (5-10 years)

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

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

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

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amortisation commences when an intangible asset is available for use and ceases at the earlier of the intangible asset being classified as held-for-sale and the date that the assets is derecognised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in the income statement when the asset is derecognised.

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

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

(ii) Goodwill
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the acquisition date fair value of the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations Or
- Is a subsidiary acquired exclusively with a view to resale

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.
Additional disclosures are provided in Note 4.6. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Taxes and Value Added Tax (VAT)
(i) Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss, unless the underlying transaction was recorded directly in other comprehensive income or equity.In such an instance the deferred tax is recorded in other comprehensive income and equity as well.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ii) Current income tax
Current taxation is charged on the net income for the year after taking into account income and expenditure, which is not subject to taxation, and capital allowances on fixed assets.
Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in other comprehensive income or equity is also recognised in other comprehensive income or equity and not in the income statement.The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Value Added Tax (VAT)
Revenue, expenses and assets are recognised net of the amount of the VAT except:
- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Stated capital
Stated capital is recognised at the fair value of the consideration received by the Company. Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group entity purchases the Company's own equity stated capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Employee benefits
(i) Pension obligations

The defined contribution plan
The Group operates a defined contribution plan. Under the defined contribution plan;
(a) The Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and also the employee) to a trustee administered fund, together with investment returns arising from the contributions; and
(b) in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined benefit contributions are recognised as expenses when incurred.

(ii) Medical aid
In terms of employment contracts and the rules of the relevant medical aid scheme, medical benefits are provided to employees. The Group subsidises a portion of the medical aid contributions for certain employees. Contributions in relation to the Group's obligations in respect of these benefits are charged against income in the period of payment.

The Group has no post-retirement medical funding obligations.

(iii) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises a liability and expense for termination benefits at the earlier of the following dates:
(a) when the entity can no longer withdraw the offer of those benefits; and
(b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

Termination benefits are normally paid off within 12 months, hence they are not discounted.

(iv) Leave pay accrual
The Group recognises, in full, employee's rights to annual leave entitlement in respect of past service. The recognition is made each year-end and is calculated based on accrued leave days not taken at the year-end. The charge is made to expenses in the income statement and trade and other payables in the statement of financial position.

(v) Profit sharing and bonus plans
A liability for employee benefits in the form of profit sharing and bonus is recognised in trade and other payables, when there is no realistic alternative but to settle the liability when both of the following conditions is met:

- the Group has a present legal or constructive obligation to make such payments as a result of past events and;
- a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(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.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The scheme will continue until the entire granted shares vest but there will not be any new allocations under the scheme. Transactions within the management scheme and the staff scheme are accounted for as equity settled.

In 2010, the Group introduced two additional schemes to replace the old scheme: The Share Option Scheme (SOS) and the Conditional Share Plan (CSP).

Share Option Scheme (SOS)
All employees are eligible to participate on the scheme based on performance. Each employer company recommends to the HR Committee which employees it intends to incentivise by making offers subject to the approval of the HR Committee. Options are exercised by payment of the offer price after the vesting date. The vesting period is three years. The subsidiaries accounts for the awards as cash settled while the Group and Holding Company accounts for the awards as equity settled.

Conditional Share Plan (CSP)
The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the Group. The awards are given as grants. The awards are aligned to strategic periods and targets. Vesting is based on a future date in line with specific strategy period and subject to specific performance criteria. The subsidiaries accounts for the awards as cash settled while the Holding Company accounts for the awards as equity settled.

Equity-settled transactions
The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The fair value of options at grant date is expensed over the vesting period. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, if all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 21. For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the obligation by taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date.

BIFM CEE Share Option Scheme (CEESOS)
"BIFM ""the Company"" implemented a Citizen Economic Empowerment Share Scheme ("the Scheme") in 2018, whereby the Company issued 25.1% of its ordinary share capital to citizen employees of the Company. The Scheme aims to fulfil the following motives of the Company;
- to meet the requirements of the key clients in the market regarding Citizen Economic Empowerment;
- to attract and retain key local skills within the Company;
- to empower citizen employees economically; and
- to align the interest of staff with those of the clients."

At the inception of the CEESOS, BIFM issued 21,849,246 additional shares (representing 25.1% of issued capital of the Company). The additional issued share capital was independently valued by Deloitte at P64.7m. The 25.1% issued capital was issued in the following manner;
At the commencement of the scheme:
- 11% (9,575,368 shares) was immediately allocated to existing employees as participatory shares to be purchased by the employees at arms length with the aid of BIFM staff loans.

- 4% (3,481,950 shares) was reserved in the BIFM CEE Share Trust (A Trust formed in 2018 to hold shares in BIFM on behalf its employees) for future allocation to employees. These shares were originally part of a 15% allocation toward the participatory shares and were transferred to the BIFM CEE Share Trust after 11% was taken up by staff in February 2018.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 10.1% (8,791,928 shares) was issued to the BIFM CEE Share Trust to hold on behalf of the BIFM employees to be allocated annually in the form of grants with a vesting period of 3 years

BIFM Company accounts for the awards as cash settled. As a result of the issue of the shares to employees, BIHL Group lost part of its interest in BIFM Holdings from 100% to 89%. The impact of this dilution is disclosed in the Statement of changes in Equity.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Hence, dividends proposed or declared after the period ends are not recognised at the reporting date. Dividends that are approved after the reporting date but before the financial statements are authorised for issue are disclosed by way of a note to the financial statements together with the related per share amount. The withholding taxes are accrued for in the same period as the dividends to which they relate. Withholding taxes at the statutory rate of 7.5% are deducted from the total dividend declared. Where the Company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

Selling expenses

Selling expenses consist of commission and bonuses payable to sales staff on long-term insurance business and expenses directly related thereto. Commission on life business is accounted for on all in-force policies in the financial period during which it is incurred.

Administration expenses

Administration expenses include, inter alia, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs and are recognised on an accrual basis. Expenses incurred by functional departments are allocated to group and individual business, and then furthermore for individual business by acquisition and maintenance in accordance with the function performed by the departments. Premium collection costs are accounted for on the accrual basis.

Leases (where the Group is the lessee)

An operating lease is one in which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

Leases (Group as Lessor)

The Group has entered into commercial property leases on its investment property portfolio.

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Contingent liabilities and assets

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

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

Non-distributable reserves

Non-distributable reserves include the following:

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long term policy liabilities and assets supporting these liabilities.Certain assets held in policyholder portfolios may be measured on a basis inconsistent with that of the corresponding liability by IFRS. The consolidation reserve is created for the effect of treasury shares, which represents BIHL shares purchased and held within the Group, but are supporting policy holder liabilities which are measured at fair value. The cost of treasury shares is deducted from equity through a separate reserve account called a treasury share reserve. The excess of the fair value of shares over the cost is accounted for through the consolidation reserve, which is a capital reserve.

The reserve represents temporary mismatch in that the reserve will reversed when the affected investments are realised through sale to parties external to the Group.

Capital Reserve Account- Life Insurance

The capital reserve account is required by section 9 of the Insurance Industry Act (Chapter 46:01). The provisions of the 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.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Reserve Account- Short term Insurance

The Non- Bank Financial Institutions Regulatory Authority Act requires that 15% of the net profit after tax be transferred to a Capital Reserve account.This reserve is used solely for increasing the company's paid- up stated capital.

Statutory Reserve Solvency Account

The Insurance Industry Act (Chapter 46:01) requires that 10% of the company's gross profit be transferred to a Statutory Reserve Solvency account provided the amount so transferred in each year is limited to 25% of the previous year's gross premium. The reserve can only be reduced or encumbered upon written notice from the Registrar. Gross profit means chargeable income of the insurer as ascertained under part VI of the Income Tax Act.

Share Based Payment Reserve

This is associated with equity settled share-based payment compensation as described in the heading Employee Benefits.

Treasury Share Reserve

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity.Consideration paid or received on the purchase, sale, issue or cancellation of the Group own equity instruments is recognised directly in equity.No gain or loss is recognised in profit or loss on the purchase sale, or cancellation of own equity instruments.

Foreign Currency Translation Reserve

The translation reserve comprises of all foreign exchange differences arising from translation of investment of foreign investments in associates and a share of other comprehensive income of an associate emanating from the translation of the financial statements of its foreign operations.

Insurance Contracts Liabilities

The Group's main insurance products are;

- non-participating annuities;
- employee benefits;
- universal individual life product "Mompati" and;
- insurance contracts with discretionary participation features

Mompati is a universal life product designed to provide insurance benefits such as life cover, disability and hospitalisation benefits under an umbrella product with an investment component. The product also allows for funeral cover for the main member as well as his/her family members. The value of the investment account is paid in the event of maturity or surrender. The investment account is credited with premiums received (net of expense charges, commission and the cost of risk benefits) and investment returns.

The policyholder liability for annuities includes a mismatch and re-investment reserve. Its purpose is twofold:

- to ensure that the Group is able to withstand any losses due to the mismatch of asset and liability cash flows
- To provide against reinvestment risk that arises because of the duration of the assets being shorter than the liabilities. The shorter term of the assets may result in future asset proceeds being re-invested on less favourable terms than were available at policy inception. The Group is exposed to financial risk if the investment returns on re-invested asset proceeds are lower than were allowed for in the product pricing.

Valuation bases and methodology

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement are set out below:

The value of policy liabilities at 31 December 2018 and 31 December 2017 exceeded the minimum requirements in terms of the Insurance Industry Act and NBFIRA's.

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method. The entity calculates discounted cash flow reserves, bonus stabilisation reserves, unit reserves, sterling reserves, unexpired premium and unexpired risk reserves, IBNR and discretionary reserves (including data reserves).

Discounted cash flow reserves are calculated using the gross premium valuation method. The liability is determined as the sum of the discounted value of expected future benefits (including any declared bonuses), claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected premiums and investment income from assets backing the reserves, which are directly related to the contract. Bonus stabilisation reserves are calculated for contracts with discretionary benefits, by building up retrospective reserves with policyholder allocated profits. To the extent that these reserves differ (less or more) from the calculated discounted cash flow reserves, the insurer holds bonus stabilisation reserves.

Unit reserves are set equal to the value of unitised funds underlying unit-linked contracts, by multiplying number of units by the price of these units. The company also has Pula reserves under its unit-linked contracts. These are calculated using the gross premium valuation method and represent the liability faced by the insurance company, that relate to cash flows the insurer will be liable for under a contract after setting up the unit reserves. The liability is determined as the sum of the discounted value of expected future benefits in excess of any unit-linked benefits, claims handling and policy administration expenses, policyholder options and guarantees less the discounted value of the expected charges and investment income from assets backing the Pula reserves, which are directly related to the contract.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The liability calculations are based on current assumptions, including allowance for compulsory and discretionary margins as per Botswana regulation IPR1L. Discretionary reserves are also held, some of which are based on judgement (e.g. expert data reserves) and others are built up and released using specifically developed methodologies. Furthermore, the liability for life insurance includes provisions for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the company. Adjustments to the liabilities at each reporting date are recognised in the profit or loss. The liability is derecognised when the contract expires, is discharged or is cancelled.

Classification of contracts

A distinction is made between investment contracts (which fall within the scope of *IAS 39 Financial Instruments: Recognition and Measurement*), investment contracts with discretionary participating features and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in *IFRS 4 Insurance Contracts*).A contract is classified as insurance where the Group accepts significant insurance risk by agreeing with the policyholder to pay significant additional benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise of the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the BIHL Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The company uses an industry average to calculate the cost. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received that relates to a risk period beyond the current financial period. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Investment contract liabilities

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position, known as deposit accounting.

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

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

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

Investment contracts expose the investor to financial risks.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital and Risk Management

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

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

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

Capital management

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

The Group manages its capital structure and adjusts it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2018.

The Group monitors capital using a capital adequacy requirement. Capital adequacy implies the existence of a buffer against experience worse than assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities.

The Group complied with all externally imposed capital requirements. The provisions of the Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to a capital reserve. This reserve can be utilised at least once every five years to increase the paid-up stated capital of the Group.

Capital includes shareholders equity and long-term debt. As at year end there was no long-term debt.

	2018 P000	2017 P000
Shareholder's equity	2,815,723	2,969,281
Prescribed Capital Target (Life business only)	279,774	228,235
Ratio of Excess Assets to Prescribed Capital Target (Life business only)	6.95	9.32

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group.

The Group operates within a decentralised business model environment. In terms of this philosophy, the BIHL Board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL Board.

Governance structure

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Risk Monitoring Mechanisms

BIHL Board:
Reviews and oversees the management of the Group's capital base

Actuarial Committee:
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Compliance:
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

Group Risk Forum:
Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the BIHL Board

Non-listed Asset Review:
Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the BIHL Board

Chief Financial Officer:
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial:
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

Group Governance/ Secretariat and Public Officers:
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Forensics:
Investigates and reports on fraud and illegal behaviour in business

Investment Committee:
Determines and monitors appropriate investment strategies for policyholder solutions

Credit Review Committee:
Reviews, assesses, approves and monitors specific counterpart credit risk as well as to manage the credit risk inherent in the portfolios on an on-going basis

Group IT Risk Management:
Manages and reports Group-wide IT risks

Risk Officer (per business):
Assists business management in their implementation of the Group risk management process, and to monitor the business' entire risk profile

Internal Audit:
Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are: The BIHL Group Enterprise Risk Management (ERM) Policy; Group Risk Escalation Policy; Group Business Continuity Management Policy;

These policies were developed by Group Risk Management and have to be implemented by all Group businesses. The maturity of the implementation does however vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Group Risk Forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the ERM Policy.

BIHL Group Enterprise Risk Management Policy

The Group ERM policy includes the following components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

BIHL Group Risk Escalation policy

The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the BIHL Group level. This includes quantifiable and unquantifiable measure.

General operational risks

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted based on the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business's securities. To ensure validity, all transactions are confirmed with counter-parties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews.

The BIHL Investment Committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters.

The following functionaries assist in mitigating operational risk:

Internal audit

A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the 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 EY. The report of the independent auditors for the year under review is contained on page 112 of these financial statements. The external auditors provide an independent assessment of certain systems of internal financial control, which they may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. A compulsory rotation of audit partners has also been implemented.

External consultants

The Group appoints external consultants to perform an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk

IT risks are managed across the Group in an integrated manner following the Enterprise Risk Management framework. Group IT is the custodian of the Group's IT Policy framework and ensures explicit focus on, and integration with the Group's IT Governance framework, which includes the governance of Information Security. The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. A quarterly IT Governance report, summarising the Group-wide situation is also delivered to the Risk and Compliance committee.

Going concern /business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that BIHL will continue as a going concern. Reflecting on the year under review, the Directors considered an opinion that adequate resources exist to continue business and that BIHL will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Board as well as at the scheduled Board meetings during the year;

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

Long term insurance risk

The Investment Committee and Actuarial Committee are established within the long-term insurance businesses. The principle aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

The business' long-term insurance operations are subject to the general operational risks described above, but also to specific long-term insurance risks, which include the following:

Risk management: per type of risk

Underwriting risk

Underwriting risk is the uncertainty about the ultimate amount of net cash flows from premiums, commissions, claims, and claim settlement expenses paid under a contract and timing risk, defined as uncertainty about the timing of the receipt and payment of those cash flows. Note 24 to the financial statements gives further information on the quantitative aspects of our Insurance risks.

Insurance events are random and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per policyholder and manage concentration of risks, the claims handling policy and adequate pricing and reserving. For life insurance products, half yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy

The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/AIDS is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Reasonable income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of substandard risks;
- The right to re-rate premiums is retained as far as possible. The risk premiums for group risk business and most of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first 5 to 15 years;
- Risk profits are determined monthly;
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary; and
- Expenses are continuously monitored and managed through the business's budgeting process

Reinsurance

All risk exposures in excess of specified monetary limits are reinsured. Credit risk in respect of reinsurance is managed by limiting the business's exposure to companies with high international or similar credit ratings.

Claims risk

The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Non-participating annuities

Interest rate risk is the principle financial risk in respect of non-participating annuities, given the long-term profile of these liabilities. Liabilities are matched with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The duration of annuity assets and liabilities are shown on the next page:

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	2018 Years	2017 Years
Liabilities	9.18	9.76
Assets	8.11	8.29

The effect of a 1% upward parallel change in interest rates is approximately P56 m (2017: P64.6 m) on operating profits while a 1% downward parallel shift has an impact of -P89.6m (2017: -P61.8m).

The table below indicates the impact of changes in assumptions
2018:

P'000	Base value	Investment returns and inflation	Equity and Property prices	Equity and Property returns	Maintenance expense	Discontinuance rates	Mortality and morbidity rates
		-1%	-10%	+1%	-10%	-10%	-5%
Individual Life Business	2,050,290	2,056,719	2,066,881	2,044,243	2,030,546	2,036,557	2,047,825
Annuity Business	7,497,854	7,408,274	7,497,854	7,497,854	7,489,748	7,497,854	7,497,854
Group Life Business	304,851	304,851	304,851	304,851	303,936	304,851	294,943
Total	9,852,995	9,769,844	9,869,586	9,846,948	9,824,230	9,839,262	9,840,622

2017:

P'000	Base value	Investment returns and inflation	Equity and Property prices	Equity and Property returns	Maintenance expense	Discontinuance rates	Mortality and morbidity rates
		-1%	-10%	+1%	-10%	-10%	-5%
Individual Life Business	2,002,208	2,007,692	2,016,949	1,994,850	1,981,936	1,989,116	1,996,450
Annuity Business	7,084,786	7,146,630	7,084,786	7,084,786	7,077,812	7,084,786	7,084,786
Group Life Business	298,149	298,149	298,149	298,149	297,254	298,149	288,459
Total	9,385,143	9,452,471	9,399,884	9,377,785	9,357,002	9,372,051	9,369,695

The above sensitivities are after taking into account the re-rating of premiums but before the impact of reinsurance. The impact of reinsurance is not material for the disclosed sensitivities.

Sensitivity analysis of insurances risks

Scenario	VIF after tax 2018 P'000	VIF after tax 2017 P'000
Base value	1,607,989	1,477,997
Increase risk discount rate by 1%	1,535,659	1,403,169
Decrease risk discount rate by 1%	1,694,118	1,562,203
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	1,672,733	1,556,678
Equities/ property assets fall by 10% without a corresponding fall/ rise in dividend/ rental yield	1,605,928	1,475,095
Increase expected return on equities/ property assets by 1% p.a. due to a change in the equity/ property risk premium with no consequential change to discount rates	1,618,982	1,486,293
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	1,642,737	1,509,807
Discontinuance rates - life insurance business - decrease by 10%	1,657,033	1,531,736
Base mortality and morbidity rates decreased by 5% for life assurance business	1,677,799	1,536,834
Base mortality and morbidity rates decreased by 5% for life annuity business	1,609,384	1,479,396

Basis of Presentation and Accounting Policies (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital adequacy risk
The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which in turn is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the Companies' shareholders' fund, (as determined according to IPR3L-Prescibed Capital Target (PCT) for Long-term Insurers by NBFIRA). The Prescribed Capital Target (PCT) for the life business is covered 6.95 times (31 December 2017: 9.32 times).

Concentration of insurance risk
Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could however increase the relative portfolio risk. The tables below provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The figures below represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

Benefits insured per individual life

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2018	2017	2018	2017	2018	2017
P'000	P'000	P'000	%	%	%	%
0 - 500	634,453	635,813	35	42	67	66
500 - 1000	471	2,248	9	8	8	9
1000 - 5000	345	5,920	52	46	24	24
5000 - 8000	7	90	3	3	0	0
> 8000	2	24	2	1	0	0
Total	635,278	644,095	100	100	100	100

Non-participating annuity payable

	Number of lives		Concentration before reinsurance		Concentration after reinsurance	
	2018	2017	2018	2017	2018	2017
P'000	P'000	P'000	%	%	%	%
0-20	3,378	3,135	5	6	5	6
20-40	1,976	1,948	11	11	11	11
40-60	1,453	1,371	13	13	13	13
60-80	1,106	1,059	14	15	14	15
80-100	879	841	15	15	15	15
>100	1,524	1,418	41	40	41	40
Total	10,316	9,772	100	100	100	100

Fair values
The carrying amounts and fair values of financial assets and financial liabilities are the same because financial assets and liabilities are either designated at fair value through profit or loss or have short-term duration such that their carrying amounts approximate fair value.

Notes to the Financial Statements

1. SEGMENTAL ANALYSIS

Basis of segmentation

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

1) The life insurance segment which provides life insurance services to its customers through Botswana Life Insurance Limited, a subsidiary of the Group.
2) The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited, a subsidiary of the Group.
3) The general insurance segment which provides legal insurance to its customers through BIHL Insurance Company Limited , a subsidiary of the Group.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Inter-segment transactions that occurred during 2018 and 2017 between business segments are set on an arm’s length basis in a manner similar to transactions with third parties. Segmental income, segment expense and segment results will then include those transfers between business segments, which will be eliminated on consolidation.

Business segments
At 31 December 2018 the Group’s operating businesses are organised and managed separately according to the nature of the products and services offered, with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the Group reports its segment information. The Group is therefore organised into three principal areas of business – Life Insurance, Asset Management Services and General Insurance.

Geographical segments
The Group under its 100% owned subsidiary, BIFM Holdings, has associates in Zambia. For management purposes, the Zambia operations are reported under BIFM Holdings. The group also has a 25.1% stake in a Malawian operation, Nico Holdings Limited. These investments are not material and therefore the Group only has significant operations in Botswana hence a geographical segment analysis has not been provided. The results for African Life Financial Services (Zambia) Limited, Aflife Holdings Zambia Limited and Nico Holdings, the associate companies are disclosed in note 4.5.

Customer segments
No customer contributes to 10% or more to the Group's revenue.
The amounts used for segment reporting are measured using IFRS principles.

Other segments
Due to their immaterial nature Unit trust business, Holding Company and the Corporate Social Investment Trust are included in the "other segments" column.

Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

1. SEGMENTAL ANALYSIS (continued)

1. SEGMENTAL ANALYSIS (continued)

1.1 Segment information by products and services

	LIFE BUSINESS		ASSET MANAGEMENT		GENERAL INSURANCE Held For Sale	
	2018	2017	2018	2017	2018	2017
	P'000	P'000	P'000	P'000	P'000	P'000
Segment information by products and services						
Premium revenue	2,349,017	2,320,046	-	-	-	-
Fee revenue						
- Internal	-	-	616	2,380	-	-
- External	-	-	123,863	118,017	-	-
Investment income	558,473	495,609	207,381	157,621	-	-
Profit on sale of associates	-	-	-	12,993	-	-
Net loss from financial assets held at fair value through profit and loss	(61,028)	34,579	10,266	(89,820)	-	-
Total net income	2,846,462	2,850,234	342,126	201,191	-	-
Profit before share of profit of associates and joint ventures	369,178	327,108	88,775	78,224	-	-
Depreciation	4,356	6,031	723	985	-	-
Amortisation and impairment	3,743	9,553	3,053	-	-	-
Income tax expense	95,126	70,935	14,514	11,269	-	-
Selling expenses	310,895	336,295	-	-	-	-
Net Insurance benefits and claims	1,487,101	1,374,527	-	-	-	-
Change in policyholder liabilities under life insurance contracts	466,872	587,698	-	-	-	-
Change in liabilities under investment contracts	-	-	(191,599)	(64,932)	-	-
Total Assets	12,244,887	11,836,936	6,343,051	6,117,539	65,565	62,133
Total Liabilities	10,299,551	9,796,902	5,862,298	5,663,569	27,606	37,566
Capital expenditure	18,498	9,747	1,724	588	-	1,882
Associates and joint venture						
Share of profit of associates	-	-	-	-	-	-
Investment in associates and Joint ventures	1,171,923	1,335,784	108,590	105,146	-	-

	ASSOCIATES AND JOINT VENTURES		OTHER		INTER SEGMENTAL		CONSOLIDATED TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Segment information by products and services								
Premium revenue	-	-	-	-	-	-	2,349,017	2,320,046
Fee revenue								
- Internal	-	-	-	-	(616)	(2,380)	-	-
- External	-	-	(16,842)	(14,942)	-	-	107,021	103,075
Investment income	-	-	449,373	429,017	(446,414)	(424,054)	768,813	658,193
Profit on sale of associates	-	-	-	-	-	-	-	12,993
Net loss from financial assets held at fair value through profit and loss	-	-	-	-	-	-	(50,762)	(55,241)
Total net income	-	-	432,531	414,075	(447,030)	(426,434)	3,174,089	3,039,066
Profit before share of profit of associates and joint ventures	-	-	407,877	411,368	(456,545)	(465,250)	409,286	351,451
Depreciation	-	-	1,218	2,474	-	-	6,297	9,490
Amortisation and impairment	-	-	767	771	-	-	7,563	10,324
Income tax expense	-	-	1,109	56	(15,056)	(6,168)	95,693	76,092
Selling expenses	-	-	-	-	-	-	310,895	336,295
Net Insurance benefits and claims	-	-	-	-	-	-	1,487,101	1,374,527
Change in policyholder liabilities under life insurance contracts	-	-	-	-	-	-	466,872	587,698
Change in liabilities under investment contracts	-	-	-	-	-	-	(191,599)	(64,932)
Total Assets	-	-	598,160	791,107	(3,440,539)	(3,236,752)	15,811,124	15,570,963
Total Liabilities	-	-	61,667	57,506	(3,283,004)	(2,942,960)	12,968,118	12,612,583
Capital expenditure	-	-	789	2,914	-	-	21,011	15,131
Associates and joint venture								
Share of profit of associates	166,904	72,927	-	-	-	-	166,904	72,927
Investment in associates and Joint ventures	-	-	340,010	335,659	(43,113)	(61,979)	1,577,410	1,714,610

Notes to the Financial Statements (Continued)

2. PROPERTY AND EQUIPMENT

GROUP

2018	Owner-occupied property	Computer equipment	Furniture and fittings	Motor vehicles	Leasehold improvements	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Cost						
At 1 January 2018	135,042	39,845	22,721	3,290	26,024	226,922
Additions	-	2,572	768	-	2,927	6,267
At 31 December 2018	135,042	42,417	23,489	3,290	28,951	233,189
Accumulated depreciation						
At 1 January 2018	3,105	35,108	17,737	2,389	13,233	71,572
Current year charge	369	2,237	1,013	350	2,328	6,297
At 31 December 2018	3,474	37,345	18,750	2,739	15,561	77,869
Carrying amount						
At 1 January 2018	131,937	4,737	4,984	901	12,791	155,350
At 31 December 2018	131,568	5,072	4,739	551	13,390	155,320

The gross carrying amount of fully depreciated property and equipment that were still in use amounted to P78.9 million (2017: P77.4 million).

2017	Owner-occupied property	Computer equipment	Furniture and fittings	Motor vehicles	Leasehold improvements	Total
Cost						
At 1 January 2017	135,042	37,687	21,478	2,613	24,150	220,970
Additions	-	3,358	3,387	677	1,874	9,296
Disposals	-	(1,200)	(2,144)	-	-	(3,344)
At 31 December 2017	135,042	39,845	22,721	3,290	26,024	226,922
Accumulated depreciation						
At 1 January 2017	1,725	31,464	18,108	1,690	11,977	64,964
Current year charge	1,380	4,649	1,506	699	1,256	9,490
Disposals	-	(1,005)	(1,877)	-	-	(2,882)
At 31 December 2017	3,105	35,108	17,737	2,389	13,233	71,572
Carrying amount						
At 1 January 2017	133,317	6,223	3,370	923	12,173	156,006
At 31 December 2017	131,937	4,737	4,984	901	12,791	155,350

Notes to the Financial Statements (Continued)

2. PROPERTY AND EQUIPMENT (Continued)

COMPANY

2018	Computer Equipment	Furniture and fittings	Motor Vehicles	Leasehold improvements	Total
	P'000	P'000	P'000	P'000	P'000
Cost					
At 1 January 2018	7,538	2,158	179	5,145	15,020
Additions	161	-	-	-	161
At 31 December 2018	7,699	2,158	179	5,145	15,181
Accumulated depreciation					
At 1 January 2018	6,941	1,528	179	1,130	9,778
Current year charge	394	271	-	514	1,179
At 31 December 2018	7,335	1,799	179	1,644	10,957
Carrying amount					
At 1 January 2018	597	630	-	4,015	5,242
At 31 December 2018	364	359	-	3,501	4,224

2017	Computer Equipment	Furniture and fittings	Motor Vehicles	Leasehold improvements	Total
Cost					
At 1 January 2017	7,294	2,131	179	5,145	14,749
Additions	244	27	-	-	271
Disposals	-	-	-	-	-
At 31 December 2017	7,538	2,158	179	5,145	15,020
Accumulated depreciation					
At 1 January 2017	5,382	1,206	176	616	7,380
Current year charge	1,559	322	3	514	2,398
At 31 December 2017	6,941	1,528	179	1,130	9,778
Carrying amount					
At 1 January 2017	1,912	925	3	4,529	7,369
At 31 December 2017	597	630	-	4,015	5,242

Notes to the Financial Statements (Continued)

3. INTANGIBLE ASSETS

Group

	Goodwill	Computer Software	Total
2018	**P'000**	**P'000**	**P'000**
Cost			
At 1 January 2018	114,923	98,868	213,791
Additions	-	14,744	14,744
At 31 December 2018	114,923	113,612	228,535
Accumulated amortisation and impairment			
At 1 January 2018	48,966	72,552	121,518
Current year amortisation	2,965	4,598	7,563
At 31 December 2018	51,931	77,150	129,081
Carrying amount			
At 1 January 2018	65,957	26,316	92,273
At 31 December 2018	62,992	36,462	99,454
2017			
Cost			
At 1 January 2017	114,923	97,276	212,199
Additions	-	5,835	5,835
Asset classified as held for sale	-	(4,243)	(4,243)
At 31 December 2017	114,923	98,868	213,791
Accumulated amortisation and impairment			
At 1 January 2017	48,966	62,876	111,842
Current year amortisation	-	10,324	10,324
Asset classified as held for sale	-	(648)	(648)
At 31 December 2017	48,966	72,552	121,518
Carrying amount			
At 1 January 2017	65,957	34,400	100,357
At 31 December 2017	65,957	26,316	92,273

Company

	Computer software	Total
2018	**P'000**	**P'000**
Cost		
At 1 January 2018	11,281	11,281
Additions	627	627
At 31 December 2018	11,908	11,908
Accumulated amortisation and impairment		
At 1 January 2018	10,054	10,054
Current year amortisation	769	769
At 31 December 2018	10,823	10,823
Carrying amount		
At 1 January 2018	1,227	1,227
At 31 December 2018	1,085	1,085

Notes to the Financial Statements (Continued)

3. INTANGIBLE ASSETS (Continued)

	Computer software	Total
2017	**P'000**	**P'000**
Cost		
At 1 January 2017	10,825	10,825
Additions	456	456
At 31 December 2017	11,281	11,281
Accumulated amortisation and impairment		
At 1 January 2017	9,283	9,283
Current year amortisation	771	771
At 31 December 2017	10,054	10,054
Carrying amount		
At 1 January 2017	1,542	1,542
At 31 December 2017	1,227	1,227

Impairment testing of goodwill
Goodwill acquired through business combination has been allocated to one cash-generating units which is equivalent to one of three operating segments of the Group. Goodwill was impaired by P3 million for the asset management segment during the year.

Asset management business and Non-life insurance business

	2018	2017
	P'000	**P'000**
Carrying amount of goodwill		
Asset management business	62,992	65,957
Total	62,992	65,957

Management estimates that the recoverable amount of the Asset management cash generating unit (CGU) exceeds or equals the carrying amount. Management estimates include a new review of the performance of CGU when compared to estimates applicable at the original recognition of the goodwill. The performance of the asset management business has shown a positive trend on a year on year basis. The full amount of Goodwill relating to the non-life insurance business was fully impaired in the previous years.

Asset management business
The recoverable amount of the asset management business unit, was determined based on the value-in-use calculation using the cash flow projections on financial budgets approved by senior management covering a 10 year period and perpetual growth of 3.5% (2017: 3.5%) thereafter. A pre-tax Group specific risk adjusted discount rate of 16.5% (2017: 16.5%) is used. The projected cash flows are determined by budgeted margins based on past performances and management expectations and market developments.

The key assumptions used for the impairment calculations of the asset management business are:

	2018	2017
Investment income/surplus return	6.5%	6.5%
Investment growth on AUM (after tax)	6.2%	6.2%
Net inflows as a % of AUM	-1.0%	-1.0%

Sensitivity to changes in assumptions
For the asset management business, a reasonably possible change in the investment market conditions assumption will cause the carrying amount to exceed the recoverable amount. The actual recoverable amount exceeds its carrying amount by P59 million (2017: P61 million). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction of 2% in the funds flow as a percentage of AUM would result in a reduction in the recoverable amount of the asset management business by P36 million (2017: P36 million).

Notes to the Financial Statements (Continued)

4. INVESTMENTS

Fair values

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Investments designated as at fair value through profit or loss				
At the beginning of the year	12,716,048	10,870,874	-	-
Net contributions	380,712	1,900,415	-	-
Fair value adjustments on investments	(50,762)	(55,241)	-	-
At the end of the year	13,045,998	12,716,048	-	-
4.1 BOND, NOTES, POLICY LOANS AND SIMILAR SECURITIES				
Designated as at fair value through profit or loss				
Bonds (Government, public authority, listed and unlisted corporates)	8,031,912	7,585,630	-	-
Money market instruments	1,204,818	978,000	-	-
Other loan advances (Note 4.3)	393,951	496,229	-	-
Equity investments (Note 4.2)	3,415,317	3,656,189	-	-
	13,045,998	12,716,048	-	-

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 4.3% to 10.75% (2017: 5.75% to 10.23%).Bond repayment terms range between 0 and 24 years (2017: 0 - 20 years) for all listed and unlisted bonds.

Fair value measurement

Listed bonds
The closing prices at the year end have been used to value these investments. Listed bonds have fixed interest rates which range from 4.3% to 10.75%.

Unlisted bonds
The fair values of unlisted bonds have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset. The cash flows for the unlisted bonds are determined with reference to contractual rates of return and the timing of the cash flow. Refer to Note 25 for the additional disclosures.

For unlisted bonds, interest rates are fixed, with coupon rates falling between 5.2% and 11% (2017: 3.25% and 11.00%) annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 0 and 24 years (2017: 0 - 20 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 3.6% for 2018 (2017: 4.6%). All money market instruments are of a short term nature, being exercisable within one year of year end.

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Sectorial analysis for bonds, money market and equity instruments				
Consumer discretionary	600,813	761,667	-	-
Financials	4,219,301	3,495,756	-	-
Energy	111,155	100,275	-	-
Education	50,178	52,362	-	-
Property	1,172,661	1,527,456	-	-
Tourism	110,814	112,848	-	-
Offshore foreign equities	1,917,231	2,247,467	-	-
Government	4,463,934	3,921,988	-	-
	12,646,087	12,219,819	-	-
4.2 EQUITY INVESTMENTS				
Listed in Botswana	894,798	924,223	-	-
Listed foreign markets	1,634,960	2,000,604	-	-
Unlisted	885,559	731,362	-	-
	3,415,317	3,656,189	-	-

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 cash flows for the unlisted investments are determined with reference to contractual rate of return and the timing of the cash flow.

The valuation is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market.

Unlisted equities
The fair value of unlisted equities is determined by reference to the underlying fair value of the net asset value held in the investee company. For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

Unlisted units in funds
The fair value of the assets is calculated based on units held and unit prices provided by the Fund Managers. The underlying funds in which the company invests in are unlisted and valued using discounted cash flow and price earnings methods with significant inputs that are not based on observable market data hence the classification under Level 3

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
4.3 OTHER LOAN ADVANCES				
Opening balance	496,229	416,530	-	-
Reclassification*	(50,000)	-	-	-
New loans	-	93,546	-	-
Interest charges	10,608	6,708	-	-
Repayments	(57,108)	(7,831)	-	-
Impairment	-	(10,022)	-	-
Loan redemption from units	(5,778)	(2,702)	-	-
	393,951	496,229	-	-
Loans secured against the company's insurance policies	-	8,835	-	-
Other loans	393,951	487,394	-	-

* The loan to Babereki investments amounting to P50 million was reclassified out of the fair value through profit and loss category to amortised cost in 2018.

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

Policy loans
These loans were secured against the investment assets on insurance contracts and had repayment terms of approximately 4 years otherwise the loans are recouped against the surrender value of the investment policy. The interest rate was variable depending on Botswana local bank prime lending rates. The interest rate at December 2018 was n/a (2017: 17.0%)

As at the year end, there was no charge to the income statement for impairment (2017:P10 million). All policy loans were secured against investment assets on insurance contracts which limited the loan amount that can be disbursed. These loan balances are regularly evaluated and impaired if the loan value exceeded the policy values.

Other loans
The loans are advances to Public Private Partnerships which are partnerships between private companies and the Government of Botswana for construction projects. The interest rate on the loans are based on the prime lending rates in Botswana and terms of the loans range from 10 years to 17 years. As at year end the prime rate was 6.5% (2017: 6.5%)

The fair value of the loans is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument. The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market and credit risk of the borrower. The average risk premium for the other loans held by the Group was determined as 50 to 100 basis points in current year (2017: 50 to 100 basis points). The risk premium has been used as a risk adjustment to the Government risk free rate.

Long term Loan		
Loan to Babereki Investments (Pty) Ltd	50,000	-

The loan to Babereki Investments is repayable over 10 years from 2016. The loan is secured through a cession of the loan book and guarantee and surbodination agreement with BOPEU. The interest rate is a fixed interest rate of 12% per annum payable quarterly. As at 31 December 2018 interest amount of PNIL (2017:PNIL million) was receivable.

4.4 INVESTMENT PROPERTY & INVESTMENTS IN UNLISTED PROPERTY FUNDS

At beginning of the year	356,122	264,331	-	-
Purchase of investments	-	89,694	-	-
Fair value gains	55,354	2,097	-	-
	411,476	356,122	-	-
Physical properties held	117,344	112,101	-	-
Investments in unlisted property companies	294,132	244,021	-	-

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

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Investments properties:				
Opening balance at 1 January	112,101	110,747	-	-
Net gains from fair value adjustment	5,243	1,354	-	-
Closing balance at 31 December	117,344	112,101	-	-
Rental income derived from investment properties	14,704	14,893	-	-
Direct operating expenses (including repairs and maintenance) generating rental income	6,130	6,130	-	-

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

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Investments in property funds:				
Opening balance at 1 January	244,021	153,584	-	-
Gains from fair value adjustments	50,111	90,437	-	-
Closing balance at 31 December	294,132	244,021	-	-

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

Analysed as follows:				
Shareholder portion	1,277	18,686	-	-
Policyholder portion	410,199	337,436	-	-
Total	411,476	356,122	-	-

Investment properties and invesments in unlisted property funds are stated at fair value which has been determined based on valuations performed by Knight Frank; MG Properties (Pty) Ltd; Wragg (Pty) Ltd and Kwena Property Services (Pty) Ltd, who are accredited independent valuers, as at 31 December 2018 and 31 December 2017 for the current and previous years respectively. These valuers are specialist in valuing these types of investment properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. In calculating the market value of commercial properties, the valuation method being a discounted cash flow approach had been adopted whereupon the current contractual annual rentals is netted off against relevant expenses (including normal repairs and maintenance, operating costs, management/collection commission fees, insurance and rates amongst others). The valuation also includes estimated future rental income after the term of the lease agreement based on the remaining useful life of the building. 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.

	2018	2017
Inflation rate (%)	3.5%	2.9%
Capitalisation rates	8.00%-12.50%	8.25%-12.5%
Long-term vacancy rates	0% - 20%	0% - 20%

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

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

Properties are valued individually and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions contained in RICS Appraisal and Valuation Standards ("The Red Book").

The fair value of the investment in unlisted property companies is determined with reference to the fair value of the underlying property. As detailed above.

For direct equity instruments the DCF model takes into account the estimated cash flows and a risk adjustment discount rate that incorporates marketability and liquidity restrictions.

Investment in property funds are valued by revaluation of the underlying property(ies).

Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

4. INVESTMENTS (Continued)

4.5 INTEREST IN ASSOCIATES AND JOINT VENTURES

	Joint ventures	Associates				Associates							
GROUP	Khumo Property Asset Management	Teledimo	The Minor Hotel Group Gaborone	Funeral Services Group	Plot 21 Investments	Healthcare	Feune	Bongwe	African Life Financial Services (Zambia) Limited	Aflife Holdings Zambia Limited	Nico Holdings Limited	Letshego Holdings Limited	Total
2018													
Carrying amount (P'000)	11,487	122,985	37,349	80,600	4,378	-	-	5,788	91,066	880	132,968	1,089,908	1,577,409
Interest in issued share capital													
Shareholders' fund	50.00%	50.00%	20.00%	36.38%	33.00%	-	-	33.00%	49.00%	49.00%	25.10%	26.17%	
Share of earnings after tax for current year(P'000)	2,594	9,432	1,888	12,148	(92)	-	-	186	9,581	(2,163)	18,553	114,777	166,904
Impairment	-	-	-	-	-	-	-	-	-	-	-	(114,033)	(114,033)
Foreign Currency Transalation differences	-	-	-	-	-	-	-	-	(5,167)	972	9,719	(4,136)	1,388
Change in reserves in associates	-	-	-	-	-	-	-	-	-	-	-	(4,259)	(4,259)
(Disposal)/Additionalinvestment inassociates, joint ventures and subsidiaries	-	-	-	2,100	478	-	-	478	-	-	-	-	3,056
IFRS 9 provision day 1 impact	-	-	-	-	-	-	-	-	-	-	(1,872)	(36,852)	(38,724)
Distributions received P'000	(2,313)	(8,000)	-	(11,963)	(1,110)	-	-	-	-	-	(5,841)	(122,306)	(151,533)
Total assets and liabilities of the joint venture and associates (P'000)													
Non-current assets	998	210,533	125,370	221,695	26	-	-	169,301	34,409	49,600	6,067,646	443,900	7,323,478
Current financial assets , excluding cash and cash equivalents	12,343	102,885	13,520	38,773	2	-	-	2,486	89,103	12,465	1,609,352	9,004,570	10,885,499
Cash and cash equivalents	2,225	48,662	44,172	41,166	4,502	-	-	13,046	10,330	324	410,007	1,165,537	1,739,971
Non current financial liabilities excluding trade and other payables	-	(9,683)	(9,084)	(12,711)	-	-	-	(172,084)	(31,885)	(12,358)	(4,312,213)	(3,989,896)	(8,549,914)
Current financial liabilities excluding trade and other payables and provisions	-	(78,913)	(1,277)	(10,827)	-	-	-	(2,992)	(4,645)	-	(2,368,468)	(438,630)	(2,905,752)
Current liabilities	(8,759)	(10,151)	(22,740)	(37,212)	(249)	-	-	(2,167)	(34,929)	(5,283)	(527,550)	(261,751)	(910,791)
Shareholders equity	6,807	263,333	149,961	240,884	4,281	-	-	7,590	62,383	44,748	878,774	5,923,730	7,582,491
Carrying amount (P'000)	11,487	122,985	37,349	80,600	4,378	-	-	5,788	91,066	880	132,968	1,089,908	1,577,409
Calculated carrying value	3,404	131,667	29,992	87,634	1,413	-	-	2,505	30,568	21,927	220,572	1,550,240	2,079,922
Effects of fair value adjustmentsand Goodwill at initial recognition	8,083	(8,682)	7,357	(7,034)	2,965	-	-	3,283	60,498	(21,047)	(87,604)	(460,332)	(502,513)
Summarised statement of profit or loss of the joint ventures and associates (P'000)													
Revenue	17,945	156,430	162,305	173,305	-	-	-	12,243	73,475	10,122,290	1,895,470	2,354,495	4,855,792
Interest income	-	6,829	2,853	3,392	1	-	-	16,148	3,628	290,123	598,462	-	631,604
Cost of sales	-	-	(10,828)	(29,827)	-	-	-	(12,298)	-	-	-	-	(52,953)
Administration expenses, excluding depreciation and amortisation	(10,486)	(139,791)	(124,927)	(91,470)	(278)	-	-	(1,991)	(46,475)	(12,850)	(893,610)	(1,333,987)	(2,655,864)
Depreciation and amortisation	(944)	-	(8,200)	-	-	-	-	-	-	-	-	-	(9,144)
Finance costs, including interest expense	-	-	-	(742)	-	-	-	(13,068)	-	-	(6,891)	-	(20,701)
Profit /Loss before tax	6,515	23,469	21,203	54,658	(277)	-	-	1,034	30,628	(2,437)	1,593,431	1,020,508	2,748,733
Share of loss of Joint Venture	-	-	-	(3,422)	-			-	-	-	-	-	(3,422)
Income tax expense	(1,500)	(5,392)	(4,401)	(15,215)	-	-	-	(407)	(11,662)	-	(580,493)	(510,027)	(1,129,097)
Profit/Loss for the year (continuing operations)	5,016	18,077	16,802	36,021	(277)	-	-	627	18,966	(2,437)	1,012,938	510,481	1,616,214
Group's share of profit/loss for the year	2,594	9,432	1,888	12,148	(92)	-	-	186	9,581	(2,163)	18,553	744	52,871

The Statement of Financial Position and the Statement of Comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

4. INVESTMENTS (Continued)

	Joint ventures		Associates		
GROUP	**Khumo Property Asset Management**	**Teledimo**	**The Minor Hotel Group Gaborone**	**Funeral Services Group**	**Plot 21 Investments**
2017					
Carrying amount (P'000)	11,206	121,553	35,461	78,315	5,102
Interest in issued share capital					
Shareholders' fund	50%	50%	20%	35.8%	33%
Share of earnings after tax for current year (P'000)	2,932	10,621	1,014	13,401	2,400
Reversal of impairment/(impairment)	-	-	-	-	-
Foreign Currency Transalation differences	-	-	-	-	-
Change in reserves in associates	-	-	-	-	-
(Disposal)/Additionalinvestment inassociates, joint ventures and subsidiaries	-	-	-	-	-
Distributions received P'000	-	(10,762)	-	(9,579)	-
Total assets and liabilities of the joint venture and associates (P'000)					
Non-current assets	1,257	210,206	112,414	200,452	3
Current financial assets , excluding cash and cash equivalents	7,733	83,182	7,379	12,447	2,237
Cash and cash equivalents	5,896	41,022	67,281	48,482	4,824
Non current financial liabilities excluding trade and other payables	-	(8,917)	(7,472)	(10,003)	-
Current financial liabilities excluding trade and other payables and provisions	(5,022)	(61,855)	(1,924)	4,969	(2,345)
Current liabilities	(2,713)	(12,924)	(12,882)	(30,451)	(150)
Shareholders equity	7,151	250,714	164,796	225,896	4,569
Carrying amount (P'000)	11,206	121,553	35,461	78,315	5,102
Calculated carrying value	3,576	125,357	32,959	80,871	1,508
Effects of fair value adjustmentsand Goodwill at initial recognition	7,630	(3,804)	2,502	(2,556)	3,594
Summarised statement of profit or loss of the joint venture and associates (P'000)					
Revenue	19,470	152,764	137,982	135,560	13,641
Interest income	102	7,649	-	780	129
Cost of sales	-	-	(8,466)	(24,797)	(3,184)
Administration expenses, excluding depreciation and amortisation	(11,978)	(156,039)	(115,947)	(70,996)	(577)
Depreciation and amortisation	(206)	-	(7,551)	-	-
Finance costs, including interest expense	-	-	-	(1,293)	(694)
Profit /Loss before tax	7,389	4,374	6,018	39,254	9,315
Share of loss of Joint Venture				(750)	
Income tax expense	(1,425)	(5,719)	(522)	(9,023)	(2,103)
Profit/Loss for the year (continuing operations)	5,964	(1,345)	5,496	29,481	7,212
Group's share of profit/lossfor the year	2,932	10,621	1,014	13,401	2,400

	Associates							
GROUP	**Healthcare**	**Feune**	**Bongwe**	**African Life Financial Services (Zambia) Limited**	**Aflife Holdings Zambia Limited**	**Nico Holdings Limited**	**Letshego Holdings Limited**	**Shareholder equity**
2017								
Carrying amount (P'000)	-	-	5,124	86,652	2,071	112,409	1,256,717	1,714,610
Interest in issued share capital	-	-						
Shareholders' fund	0%	0.00%	33%	49%	49%	25.10%	26.17%	
Share of earnings after tax for current year (P'000)	5,690	958	(202)	10,733	-	26,527	170,994	245,068
Reversal of impairment/(impairment)	-	-	-	-	-	-	(172,141)	(172,141)
Foreign Currency Transalation differences	-	-	-	(11,755)	-	(9,548)	(12,286)	(33,589)
Change in reserves in associates	-	-	-	-	-	-	(28,820)	(28,820)
(Disposal)/Additionalinvestment inassociates, joint ventures and subsidiaries	(72,036)	(958)	-	-	-	-	-	(72,994)
Distributions received P'000	-	-	-	-	-	(3,169)	(77,844)	(101,354)
Total assets and liabilities of the joint venture and associates (P'000)								
Non-current assets	-	-	174,060	17,249	50,051	3,861,817	426,335	5,053,844
Current financial assets , excluding cash and cash equivalents	-	-	1,000	72,077	10,899	1,001,176	8,042,067	9,240,197
Cash and cash equivalents	-	-	16,270	3,659	28	398,146	492,367	1,077,975
Non current financial liabilities excluding trade and other payables	-	-	(178,430)	(26,054)	(10,562)	(2,722,902)	(3,989,896)	(6,954,236)
Current financial liabilities excluding trade and other payables and provisions	-	-	(1,630)	(10,716)	-	(1,552,424)	(438,630)	(2,069,577)
Current liabilities	-	-	(1,860)	(7,207)	(3,879)	(373,658)	(261,751)	(707,475)
Shareholders equity	-	-	9,410	49,008	46,537	612,155	4,270,492	5,640,728
Carrying amount (P'000)	-	-	5,124	86,652	2,071	112,409	1,256,717	1,714,610
Calculated carrying value	-	-	3,105	24,014	22,803	153,651	1,117,588	1,565,432
Effects of fair value adjustmentsand Goodwill at initial recognition	-	-	2,019	62,638	(20,732)	(41,242)	139,129	149,178
Summarised statement of profit or loss of the joint venture and associates (P'000)								
Revenue	-	-	12,000	66,070	11,184	1,537,914	2,525,401	4,611,986
Interest income	-	-	16,570	2,629	1,224	151,526	-	180,610
Cost of sales	-	-	(10,910)	-	-	-	-	(47,357)
Administration expenses, excluding depreciation and amortisation	-	-	(5,570)	(37,012)	(14,117)	(1,387,586)	(1,051,158)	(2,850,979)
Depreciation and amortisation	-	-	-	-	-	-	-	(7,757)
Finance costs, including interest expense	-	-	(12,960)	-	-	(50,018)	(470,630)	(535,595)
Profit /Loss before tax	-	-	(870)	31,687	(1,709)	251,836	1,003,613	1,350,907
Share of loss of Joint Venture	-	-	-	-	-	-	-	(750)
Income tax expense	-	-	40	(10,917)	1,782	(81,021)	(322,367)	(431,275)
Profit/Loss for the year (continuing operations)	-	-	(830)	20,770	74	170,815	681,246	918,882
Group's share of profit/lossfor the year	5,690	958	(202)	10,733	-	26,527	(1,147)	72,927

The Statement of Financial Position and the Statement of Comprehensive income show the total amounts as extracted from the respective financial statements of the entities. Net assets are shared on the basis of absolute shareholdings, without excluding minority interests.

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

	Group		Company	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
4.5 INTEREST IN ASSOCIATES/JOINT VENTURES AND SUBSIDIARIES (SUBSIDIARIES AT COMPANY LEVEL)				
Carrying amounts at beginning of the year	1,714,610	1,878,439	538,097	523,956
Share of results after tax	166,904	245,068	-	-
Impairment of Associate	(114,033)	(172,141)	-	-
Dividend received	(151,533)	(101,354)	-	-
Purchase/(disposal) of associates, joint ventures and subsidiaries	3,056	(72,993)	(9,370)	(5,932)
Impairment reversal/(expense)	-	-	(160,370)	20,073
Adjustment in carrying value due to correction of error in associate	-	(28,820)	-	-
Change in reserves in associates	(4,259)	-	-	-
Foreign currency translation differences	1,388	(33,589)	-	-
IFRS 9 initial recognition	(38,724)	-	-	-
Carrying amount at the end of the year	1,577,409	1,714,610	368,357	538,097

The Group, through its 100% owned subsidiary BIFM Holdings, has a 50% interest in Khumo Property Asset Management, a jointly controlled entity involved in property management. The Group's interest in Khumo Property Asset Management is accounted for using the equity method in the consolidated financial statements. The year end for the jointly controlled entity is 31 October. The table on the page 164 illustrates the summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements.

The Group, through its 100% owned subsidiary BIFM Holdings, has invested in various associates being Plot 21 and Bongwe and African Life Financial Services (Zambia) Ltd and Aflife Holdings Zambia Limited. The table on page 164 shows the Group's percentage shareholding and total summarised financial interest.

The Group, through its 62.9% owned subsidiary KYS, has a 20% interest in The Minor Hotel Group Gaborone (Pty) limited.

The Group, through its 100% owned subsidiary Bifm Holdings Limited, has a 49% interest in African Life Financial Services (Zambia) Ltd. African Life Financial Services (Zambia) Ltd is based in Zambia. The entity is involved in provision of asset management and employee benefits administration. The Group's interest in African Life Financial Services (Zambia) Ltd is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities.

The Group, through its 100% owned subsidiary Botswana Life Insurance Limited ("BLIL") has a 26.17% (2017: 26.17%) interest in Letshego Holdings Limited (LHL), which is involved in the provision of short - to - medium-term secured and unsecured loans in the public, quasi-public and private sectors. The company is incorporated in Botswana and has subsidiaries in various countries in Africa . LHL is a public company listed on the Botswana Stock Exchange (BSE) . The Group's interest in LHL is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table on page 164 illustrates the summarised financial information of the Group's investment in LHL:

In the prior year, Letshego Holdings Limited restated their financial statements for the years 2014 - 2016 to correct an error in their tax expenses

Letshego Holdings Limited (""LHL"") suffers withholding taxes (""WHT"") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income. The Act restricts such credits to the lesser of the following-
(a) the tax payable in the other country; or
(b) the tax charged under the Act, on such foreign income.
LHL claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016. For the 2014, 2015 and 2016 financial years, the Botswana Unified Revenue Services ("BURS") paid these credits as refunds to LHL

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

A review of LHL's tax position found these refunds to be inconsistent with the Act. As a consequence, LHL inadvertently but improperly claimed and received credits amounting to P15.5 million in 2014, P43.1 million in 2015 and P59.7 million in 2016. The resulting adjustments to the LHL financial statements are considered to be errors in accordance with IAS 8 Accounting policies, change in accounting estimates and errors.

The BIHL Group adjusted their financials to take into account for the impact on the movement in reserves of LHL through retained earnings in terms of IAS 28 and a corresponding entry in the carrying amount of the investments in associates in the balance sheet.

The Group also has a 25.1% interest in Nico Holdings Limited (NICO). The latter group operates in five countries including Malawi, Tanzania, Uganda, Zambia and Mozambique and approximately 70% of NICO operations remain in Malawi. NICO operates its business through six segments which are, general insurance business, life insurance & pensions business, banking business, asset management, information technology and investment holding. It is also involved in the hospitality industry and real estate industry as portfolio investments through some of its subsidiaries and associate companies. The company is incorporated in Malawi and it is a public company listed on the Malawi Stock Exchange. The Group's interest in NICO is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities.

The Group through its 100% owned subsidiary BLIL owns 36.38% (2017: 35.8%) of Funeral Services Group Limited (FSG). FSG is involved in the manufacturing and distribution of coffins and caskets, providing funeral services and establishing and managing private cemeteries. The company is incorporated in Botswana and has a subsidiary in Zambia. Until 3 December 2015 FSG was a public company listed on the Botswana Stock Exchange (BSE). The Group's interest in FSG is accounted for using the equity method in the consolidated financial statements. The entity is strategic to the Group's activities. The table on page 164 illustrates the summarised financial information of the Group's investment in FSG.

The fair value of the listed associates (Letshego Holdings Limited P1,090 million and Nico Holdings Limited P132 million) was P1,222 million and 2017 (Letshego Holdings Limited P1,257 million and Nico Holdings Limited P113 million) was P1,370 million.

In 2017, BIHL extended a shareholder loan to Legal Guard of P14.8 million. The loan was arranged in order to meet the PCT (Prescribed Target Capital) Reserve, which was based on a 50% rate as per the Non- Banking Financial Institutions Regulatory Authority (NBFIRA) guidance and requirements in 2017. The target rate was reduced by NBFIRA to 15% in 2018 and the company repaid BIHL a total of P9 million in the current year. It bears 6% interest per annum it was repaid as the prescribed target capital reserve went down to 15%. The loan was classified as equity.

The consideration of impairment for the two most significant associates of the Group, Nico Holdings Limited and Letshego Holdings Limited, required additional focus in the current year due to the difficult economic environment in which these associates operate. Nico operates in Malawi which is exposed to severe currency fluctuations whilst Letshego operates in the micro-lending industry through its subsidiaries across Africa which experienced difficulties in the current market environment. These uncertain circumstances create difficulties in determining the appropriateness of the assumptions such as growth rates and risk discount rates used in the discounted cash flow (DCF) model which is used to assess the potential impairment of these associates. Consequently impairment reversal of PNIL million (2017: impairment loss of P6.6 million) and foreign currency translation losses of P9.7 million (2017: P9.5 million) have been recognised for NICO. For Letshego, impairment losses of P114 million (2017: P172.1 million) and foreign currency translation losses of P4.13 million (2017: P12.3 million) have been recognised.

The Group has joint control in a company called Teledimo (Pty) Ltd, which holds a 100% investment in a short term insurance company, Botswana Insurance Company Ltd (BIC). Teledimo is a non-operating holding company and only has one investment i.e. the investment in BIC. The company is incorporated in Botswana and is a private company. The Group's interest in BIC is accounted for as a joint venture using the equity method in the consolidated financial statements.

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

4.6 NON-CURRENT ASSETS HELD FOR SALE

a) BIHL Insurance Company Limited

On 16 May 2017, the Board of Directors of Botswana Insurance Holdings (Pty) Limited approved the disposal of 100% of its stake in BIHL Insurance Company Limited t/a Legal Guard to prospective related party/affiliate of the Group. BIHL holds 100% of Legal Guard through a direct shareholding. The transaction price and conditions of sale were not yet finalised by the date of signing these financial statements. However, an agreement is projected to be concluded within the first half of 2019, subject to approval by the relevant authorities. The fair value measurement less cost to sale was assessed at year-end and was considered not to be materially different from the carrying value of the company. The results for the year are presented below;

	December 2018 P'000	December 2017 P'000
Revenue		
Insurance premium revenue	41,704	44,935
Interest income	1,659	892
Other income	46	137
Total income	43,409	45,964
Gross insurance claims	(13,981)	(17,045)
Expenses for the acquisition of insurance contracts	(2,249)	(918)
Expenses for marketing and administration	(22,738)	(26,667)
Interest expense	(713)	-
Profit before tax	3,728	1,334
Taxation	340	(293)
Profit for the year	4,068	1,041
Other comprehensive income (net of tax)	-	-
Total comprehensive income for the year	4,068	1,041

The major classes of assets and liabilities of BIHL Insurance Company classified as held of sale as at 31 December are as follows;

	December 2018 P'000	December 2017 P'000
ASSETS		
Property and equipment	341	462
Intangible assets	3,438	3,595
Insurance and other receivables	504	473
Short-term money market instruments	38,659	37,166
Working capital assets	4,746	12,526
Current income tax receivable	260	-
Cash and bank balances	4,486	12,526
Total assets held for sale	47,688	54,222

Notes to the Financial Statements (Continued)

4. INVESTMENTS (Continued)

	December 2018 P'000	December 2017 P'000
Liabilities		
Deferred tax liabilities	-	47
Related party payables	-	1,085
Insurance contracts liabilities	17,339	14,359
Insurance and other payables	4,456	-
Current income tax payable	-	191
Liabilities classified as held for sale	21,795	15,682

The net cash flow incurred by BIHL Insurance Companay are as follows;

	December 2018 P'000	December 2017 P'000
Cash flow from operating activities	1,357	2,718
Cash generated from operations	2,200	1,861
Interest received	27	892
Interest paid	(713)	-
Tax paid	(157)	(35)
Cash flow utilised in investment activities	(397)	(22,544)
Money market investment	-	(20,696)
Purchase of property and equipment	(156)	(137)
Purchase of intangible assets	(241)	(1,711)
Cash flow from financing activities		
Shareholder's loan	(9,000)	14,800
Decrease in cash and cash equivalents	(8,040)	(5,026)
Balance at the beginning of the year	12,526	17,552
Balance at the end of the year	4,486	12,526

Notes to the Financial Statements (Continued)

5. INSURANCE AND OTHER RECEIVABLES

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Insurance receivables				
Due from policyholders, agents and brokers	146,127	142,625	-	-
Due from reinsurers	5,565	2,427	-	-
	151,692	145,052	-	-
Other receivables	152,893	145,806	656	2,414
	304,585	290,858	656	2,414

Insurance receivables are non-interest bearing and are generally on 30 days terms.

Other receivable relates to fees receivable, commission advances and broker loans.

The aging analysis of these receivables is as analysed below:

	Group 2018	Group 2017	Company 2018	Company 2017
Impaired	3,756	1,167		
Neither past due nor impaired	207,329	148,706	656	2,414
Past due but not impaired:	97,256	142,152	-	-
Less than 30 days	22,518	94,011	-	-
30 - 60 days	31,242	14,682	-	-
61 - 90 days	43,496	33,459	-	-
	304,585	290,858	656	2,414

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

Impairment movement

As at 31 December 2018 outstanding premiums with a nominal value of PNIL were reversed during the year (2017: PNIL). Movements in the provision for impairment of outstanding premiums were as follows and relate to 100% of the uncertain amounts:

	Group 2018	Group 2017	Company 2018	Company 2017
At 1 January	1,167	6,668	-	-
Provision reversed	(34)	(5,501)		
Provision raised	2,623	-	-	-
At 31 December	3,756	1,167	-	-

Other amounts receivable include Trade and Other receivables, and Agents and Brokers advance. Other Amount receivable are stated after an impairment provision of P18.9 million as at 31 December 2018 (2017: P16.8 million).

	Group 2018	Group 2017	Company 2018	Company 2017
At 1 January	16,769	12,086	-	-
Provision reversed	-	(764)	-	-
Provision raised	2,107	5,447	-	-
At 31 December	18,876	16,769	-	-

6. STATED CAPITAL

	Group 2018	Group 2017	Company 2018	Company 2017
Authorised shares (number)	282,370,652	282,370,652	282,370,652	282,370,652
Ordinary shares issued and fully paid				
282,370,652 (2017: 282,370,652) ordinary shares at no par value	154,936	154,936	154,936	154,936

Notes to the Financial Statements (Continued)

7. NON-DISTRIBUTABLE RESERVES

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
7.1 Foreign currency translation reserve				
Opening balance	(163,380)	(129,791)	-	-
Movement for the year	2,538	(33,589)	-	-
Balance at end of year	(160,842)	(163,380)	-	-
7.2 Consolidation reserve				
Opening balance	(118,108)	(111,872)	-	-
Transfer to retained earnings	3,837	(7,509)	-	-
Cost of shares disposed/(purchased)	(1,961)	1,273	-	-
Balance at end of year	(116,232)	(118,108)	-	-

This reserve (is an annual net profit at the business subsidiary level) is not available for dividend distribution. A consolidation reserve is required for consolidated profits that are not available for distribution.

	Group 2018	Group 2017	Company 2018	Company 2017
BIHL shares held by policyholders				
Number of shares held at 31 December:	6,561	6,370	-	-
	6,561	6,370	-	-
Market price per share (Pula)	17.50	18.54	-	-
Non-distributable reserves				
7.3 Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	45	38	-	-
Opening balance	(65,739)	(65,747)	-	-
Cost of treasury shares/(purchased)/disposed	(13)	8	-	-
Balance at end of year	(65,752)	(65,739)	-	-
7.4 Share based payment reserve				
Opening balance	83,180	117,171	18,846	15,301
Expense arising from equity-settled share-based payment transactions	8,642	8,109	3,135	3,545
Transfer to retained earnings	-	(42,100)	-	-
Balance at end of year	91,822	83,180	21,981	18,846
7.5 Capital Reserve Account				
Opening balance	660,508	633,562	9,762	9,762
Transfer (to)/from profit for the year	(42,387)	26,946	-	-
Transfer to retained earnings*	(45,494)	-	-	-
Prior year adjustments	-	-	-	-
Balance at end of year	572,627	660,508	9,762	9,762

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

During the last quarter of 2018, BIFM relinguished its insurance licence with the regulator to align the business with its asset management licence which was running concurrently, this led to a release of insurance statutory reserves to retained earnings

Notes to the Financial Statements (Continued)

7. NON-DISTRIBUTABLE RESERVES (Continued)

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
7.6 Solvency Reserve Account				
Opening balance	1,453	946	-	-
Transfer from profit for the year	373	507	-	-
	1,826	1,453	-	-

The general insurance company maintains a statutory solvency reserve as required by Section 11 of the Insurance Industry Act. In accordance with the Act, the company transfers every year, before any dividend is declared , a sum equivalent to 10% of gross profits or, where the transfer of 10% of its gross profits would result in the total sum in the reserve exceeding 25% of gross premiums received in the previous financial year, so much as is necessary to raise the total sum in the reserves to a sum equivalent to 25% of the gross premiums received in the previous financial year. The statutory solvency reserve can neither be reduced nor encumbered provided that the Registrar of Insurance may by notice in writing to the company specify circumstances in which it may be reduced or encumbered. The entity is not required to make the transfer in the event of losses.

Total non-distributable reserves	323,449	397,914	31,743	28,608

Change in ownership without loss of control
BIFM ""the Company"" implemented a Citizen Economic Empowerment Share Scheme ("the Scheme") in 2018, whereby the Company issued 25.1% of its ordinary share capital to citizen employees of the Company. As a result of the issue of the shares to employees, BIHL Group lost part of its effective interest in BIFM Holdings from 100% to 89%. The impact of this dillusion is disclosed in the Statement of Changes in Equity.The transaction has been accounted for as an equity transaction with non-controlling interests (NCI), resulting in the following:

Proceeds from Issue of Shares	64,677	-	-	-
Net assets on Disposal	16,231	-	-	-
	48,446	-	-	-
Attributable to NCI at 11%	5,329	-	-	-
Represented by				
Decrease in retained earnings	(5,329)	-	-	-
Increase in Non Controlling Interests	5,329	-	-	-
Decrease in Equity	(5,329)	-	-	-
	5,329	-	-	-

Notes to the Financial Statements (Continued)

8. POLICYHOLDER LIABILITIES

		Group		Company	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
8.1 ANALYSIS OF MOVEMENT IN POLICY LIABILITIES					
Life insurance contracts					
Income		2,856,533	2,922,491	-	-
Premium income		2,349,016	2,351,260	-	-
Investment return		507,517	571,231	-	-
Outflow		(2,385,728)	(2,334,274)	-	-
Policy benefits		(2,018,709)	(1,944,364)	-	-
Fees, risk premiums and other payments to shareholders' fund		(367,019)	(389,910)	-	-
Net movement for the year		470,805	588,217	-	-
Balance at beginning of the year		9,388,540	8,800,323	-	-
Balance at end of the year	8.3	9,859,345	9,388,540		
Investment contracts					
Balance at the beginning of the year		2,829,801	2,156,174	-	-
Pension and investment contributions		(124,683)	1,118,826	-	-
Net investment return		191,599	64,932	-	-
Benefits paid and withdrawals		(234,874)	(510,131)	-	-
Balance at end of the year	8.3	2,661,843	2,829,801	-	-
Total policyholder liabilities		12,521,188	12,218,341	-	-
Segregated funds accounted for off the Statement of Financial Position		23,987,680	22,095,703	-	-

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

Notes to the Financial Statements (Continued)

8. POLICYHOLDER LIABILITIES (Continued)

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Linked and market-related liabilities	2,661,843	2,829,801	-	-
Composition of policy liabilities under insurance contracts				
Individual business	9,546,543	9,075,944	-	-
Linked and market linked liabilities	1,984,857	1,833,978	-	-
Bonus stabilisation reserve	30,480	34,412	-	-
Individual stable bonus and market related business	30,187	44,346	-	-
Non-participating annuities	7,437,845	7,098,473	-	-
Annuities - participating	63,174	64,735	-	-
Employee benefits business	312,802	312,596	-	
Non participating risk business	312,802	312,596	-	-
Total policy liabilities	12,521,188	12,218,341	-	-

8.3 MATURITY ANALYSIS OF POLICYHOLDER LIABILITIES

2018	On demand P'000	< 1 year P'000	1-5 years P'000	>5 years P'000	open ended P'000	Total P'000
Maturity analysis of policyholder liabilities under;						
Investment contracts						
Linked and market-related liabilities	2,661,843	-	-	-	-	2,661,843
Insurance contracts						
Linked and market-related liabilities	-	69,258	369,102	1,543,312	-	1,981,672
Stable bonus fund	-	6,081	17,504	6,895	-	30,480
Guaranteed business	-	28,426	1,405	356	-	30,187
Non-participating annuities	-	1,376	19,522	7,411,154	-	7,432,052
Annuities - participating	-	-	-	-	63,173	63,173
Non participating risk business	-	35,526	146,051	140,204	-	321,781
Total	2,661,843	140,667	553,584	9,101,921	63,173	12,521,188

Notes to the Financial Statements (Continued)

8. POLICYHOLDER LIABILITIES (Continued)

2017	On demand P'000	< 1 year P'000	1-5 years P'000	>5 years P'000	open ended P'000	Total P'000
Maturity analysis of policy holder liabilities under;						
Investment contracts						
Linked and market-related liabilities	2,829,801	-	-	-	-	2,829,801
Insurance contracts						
Linked and market-related liabilities	-	72,368	353,855	1,407,755	-	1,833,978
Smoothed bonus business	-	5,871	19,073	9,468	-	34,412
Guaranteed business	-	27,236	16,697	412	-	44,346
Annuities - guaranteed	-	1,965	18,922	7,077,586	-	7,098,473
Annuities - participating	-	-	-	-	64,735	64,735
Non participating risk business	-	25,593	139,575	136,457	10,971	312,596
Total	2,829,801	133,033	548,122	8,631,678	75,707	12,218,341

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
8.4 POLICY LIABILITIES INCLUDE THE FOLLOWING:				
HIV/Aids reserve	1,514	9,344	-	-
Asset mismatch reserve	45,247	40,960	-	-

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 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
8.5 REINSURANCE ASSETS				
Balance at the beginning of the year	2,417	2,936	-	-
Movement in reinsurer's share of insurance contract liabilities	3,933	(519)	-	-
Balance at end of the year	6,350	2,417	-	-
8.6 MOVEMENT IN LIFE INSURANCE CONTRACT LIABILITY				
Change in policyholder liabilities under insurance contracts	470,805	588,217	-	-
Change in contract liabilities ceded to reinsurers	(3,933)	(519)	-	-
Movement in the income statement	466,872	587,698	-	-

Notes to the Financial Statements (Continued)

9. NON - CONTROLLING INTERESTS

	Group		Company	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
Balance at beginning of the year	16,823	20,583	-	-
Share of profit	(144)	270	-	-
Dividend payment	-	(4,030)	-	-
Purchase of shares	5,329	-	-	-
Balance at end of the year	22,008	16,823	-	-

9.1 PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS:

Name	Country of incorporation and operations	2018 %	2017 %
KYS Investments Limited	Botswana	37.10	37.10
BIFM	Botswana	11.00	-
Private Property Botswana (Pty) Ltd	Botswana	26.00	26.00

In the current year, BIFM dispossed off 11% of its shares to the Citizen Economic Empowerment Scheme. This resulted in non-controlling Interest of 11%. Refer to Note 7.

Accumulated balances of material non-controlling interest:

	P'000	P'000
KYS Investments Limited	15,911	16,617
BIFM	5,884	-
Private Property Botswana (Pty) Ltd	213	206
	22,008	16,823

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

Kgolo Ya Sechaba (KYS)	(710)	326
BIFM	556	-
Private Property Botswana (PPB)	10	(56)
	(144)	270

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

Notes to the Financial Statements (Continued)

9. NON - CONTROLLING INTERESTS (Continued)

	BIFM P'000	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised profit or loss for 2018			
Revenue	439,953	1,935	-
Administrative expenses	(379,232)	(20)	(40)
Profit before tax	60,721	1,915	(40)
Income tax	(9,686)	-	-
Profit for the year from continuing operations	51,035	1,915	(40)
Total comprehensive income	51,035	1,915	(40)
Attributable to non controlling interests	556	710	(10)
Summarised profit or loss for 2017			
Revenue	-	1,060	1,480
Administrative expenses	-	(178)	(1,262)
Net (losses)/gains on financial assets held at fair value through profit or loss	-	-	(1,984)
Profit before tax	-	883	(1,766)
Income tax	-	-	1,544
Profit for the year from continuing operations	-	883	(222)
Total comprehensive income	-	883	(222)
Attributable to non controlling interests	-	326	(56)
Dividends paid to non controlling interests	-	-	4,030
Summarised statement of financial position as at 31 December 2018			
Trade receivables and cash and bank balances (current)	101,371	2,463	2,544
Property and equipment and other non-current financial assets (non- current)	5,854,170	41,650	-
Trade and other payable (current)	(81,934)	(305)	(2,975)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(5,584,737)	-	-
Total equity	288,870	43,808	(431)
Attributable to:			
Equity holders of parent	282,986	27,897	(644)
Non-controlling interests	5,884	15,911	213
Summarised statement of financial position as at 31 December 2017			
Trade receivables and cash and bank balances (current)	-	2,455	3,181
Property, plant and equipment and other non-current financial assets (non- current)	-	40,088	-
Trade and other payable (current)	-	(365)	(2,975)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-	-	-
Total equity	-	42,178	206
Attributable to:			
Equity holders of parent	-	25,561	-
Non-controlling interests	-	16,617	206
Summarised cash flow information for year ending 31 December 2018:			
Operating	(142,045)	187	(17,048)
Investing	78,942	-	-
Financing	64,677	(2,186)	-
Net increase/(decrease) in cash and cash equivalents	1,574	(1,999)	(17,048)
Summarised cash flow information for year ending 31 December 2017:			
Operating	-	247	(16,787)
Investing	-	-	26,878
Financing	-	2,107	(7,133)
Net increase/(decrease) in cash and cash equivalents	-	2,354	2,958

Notes to the Financial Statements (Continued)

10. DEFERRED TAX

Deferred tax included in the Statement of Financial Position and changes recorded in the income tax expense are as follows:

	Group					
	Deferred tax asset 2018	Deferred tax liability 2018	Profit or loss 2018	Deferred tax asset 2017	Deferred tax liability 2017	Profit or loss 2017
	P'000	P'000	P'000	P'000	P'000	P'000
Balance at the beginning of the year	-	(9,702)	-	-	(17,620)	-
Charge to the income statement	-	(3,993)	(3,993)	-	7,871	7,871
Non-Current Assets held for sale	-	-	-	-	47	-
Balance at end of the year	-	(13,695)	(3,993)	-	(9,702)	7,871
Representing:						
Accelerated depreciation for tax purposes	-	8,020	(5,719)	-	5,332	15,342
Unrealised gains on shareholders' investments	-	5,832	1,726	-	4,788	(7,471)
SIM recharges deferred tax	-	(157)	-	-	(418)	-

No deferred tax asset was recognised in the holding company due to the assessable tax losses amounting to P8.8 million (2017: P10.4 million). There is uncertainty when taxable profits will be available against which deferred tax asset can be utilised.

	Company					
	Deferred tax asset 2018	Deferred tax liability 2018	Profit or loss 2018	Deferred tax asset 2017	Deferred tax liability 2017	Profit or loss 2017
	P'000	P'000	P'000	P'000	P'000	P'000
Balance at the beginning of the year	-	(892)	(892)	-	(892)	(892)
Charge to the income statement	-	892	892	-	-	-
Balance at end of the year	-	-	-	-	(892)	(892)
Representing:						
Accelerated depreciation for tax purposes	-	-	-	-	892	(892)

There were no temporary differences associated with investment in subsidiaries, associates and interest in joint ventures for which deferred tax liabilities have not been recognised.

Withholding taxes are paid to the Government and they are a portion of the total dividend that is declared. Where the Company receives a dividend on which withholding tax is levied, that withholding tax is recognised as a current tax expense.

Notes to the Financial Statements (Continued)

11. INSURANCE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
Insurance payables				
Due to agents and brokers	44,124	38,032	-	-
Due to reinsurers	17,266	11,600	-	-
Life Insurance claims payable	209,548	172,740	-	-
Life Insurance premiums received in advance	91,597	75,616	-	-
Short term Insurance payables	-	(15,146)	-	-
Other payables				
Other accounts payable	31,278	81,882	23,295	21,511
	393,813	364,724	23,295	21,511

Terms and conditions of the above financial liabilities are:

Trade payables are non-interest bearing insurance related liability and their terms and conditions are as follows.

- Insurance claims are settled within 30 days.
- Reassurance payable are settled within 90 days.
- Due to agents and brokers - these are Intermediary retention balances held on behalf of brokers and agents and are released on the anniversary of the policy.

- Short term Insurance payables are settled within 30 days.

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

11.1 CLAIMS REPORTED AND LOSS ADJUSTMENT EXPENSES

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	-	4,721	-	-
Current year provisions	-	5,144	-	-
Claims classified as held for sale	-	(9,865)	-	-
Balance at the end of the year	-	-	-	-

This provision is included as part of insurance payables

11.2 CLAIMS INCURRED BUT NOT REPORTED

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	-	4,804	-	-
Utilised in the current year	-	(311)	-	-
Claims classified as held for sale	-	(4,493)	-	-
Balance at the end of the year	-	-	-	-

This provision is included as part of insurance payables

Notes to the Financial Statements (Continued)

12. PREMIUM REVENUE

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Life insurance				
Individual life	1,860,576	1,835,740	-	-
Gross premium	1,897,022	1,856,917	-	-
- Recurring premium	1,216,376	1,122,260	-	-
- Single	680,646	734,657	-	-
Premium ceded to reinsurers	(36,446)	(21,177)	-	-
Group and employee benefits	488,441	484,306	-	-
Gross premium	500,347	494,343	-	-
- Recurring premium	136,912	128,321	-	-
- Single	363,435	366,022	-	-
Premium ceded to reinsurers	(11,906)	(10,037)	-	-
Total	2,349,017	2,320,046	-	-

12.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Contract revenue earned over time				
Fee income	106,340	103,075	-	-
Contract revenue earned at a point in time				
Performance fees	681	-	-	-
	107,021	103,075	-	-

Performance obligations

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

Performance fees are are fees earned when pre-determined criteria are achieved.

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

Contract criteria:

The performance evaluation of the specified fund is determined over a 12 month period against the funds annual return target of FABI + 0.50% starting on the 1st of December each year.

The performance fee rate is 0.1% of the market value of the fund as at 30 November 2018, which is also the contract evaluation date. The annual performance fees for 2018 are for the period which commenced 01 December 2017 to 30 November 2018. The performance fees are calculated gross of the portfolio management fees. The performance fee is payable net of transaction fees, brokerage fees, agency or subcontractor fees and fiscal charges or levies

IFRS 15 considerations:

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

Performance obligations

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

Additional balance sheet items required for IFRS 15

No further asset or liability recognised at 31 December 2018 as all the performance fees were received prior to the year end

Transaction price allocated to the remaining performance obligations

The whole performance fee was received before year end therefore this is not applicable

Significant judgments in the application of IFRS 15

Notes to the Financial Statements (Continued)

12. PREMIUM REVENUE (Continued)

There were no significant judgements applied in the revenue recognised as the mandate explicitly state that perfomance fees shall be 0.1% per annum of the market value as at 30 November 2018. The perfomance evaluation was determined over a 12- month period against the Fund's annual return target of FABI + 0.50%.

Assets recognised from the costs to obtain or fulfil a contract with a customer

No incremental costs were incurred to fulfil the contract with a customer.

13. INVESTMENT INCOME

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Shareholders' interest income				
Interest income using EIR	11,065	-	2,539	-
	11,065	-	2,539	-
Policyholders' interest income				
(i) Policyholder insurance contracts				
Interest income on financial assets at fair value through profit or loss	528,792	-	-	-
	528,792	-	-	-
(ii) Policyholder investment contracts				
Interest income on financial assets at fair value through profit or loss	81,349	-	-	-
	81,349	-	-	-
Shareholders' interest income				
Interest income on financial assets at fair value through profit or loss	4,909	-	-	-
Total interest income	626,115	-	2,539	-
Shareholders' investment income				
Interest income on financial assets at fair value through profit or loss	-	16,628	-	-
Cash and cash equivalents interest income	-	7,467	-	823
Rental income on investment properties	10,373	4,254	-	-
Other income	-	-	257	4,028
Dividends	1,341	165	446,413	423,955
Investment management fees	-	(2,380)	-	-
	11,714	26,134	446,670	428,806
Policyholders' investment income				
(i) Policyholder insurance contracts				
Interest income on financial assets at fair value through profit or loss	-	489,495	-	-
Rental income on investment properties	22,715	10,676	-	-
Dividends	20,516	10,187	-	-
Investment management fees	(32,522)	(34,407)	-	-
	10,709	475,951	-	-
(ii) Policyholder investment contracts				
Interest income on financial assets at fair value through profit or loss	-	64,265	-	-
Rental income on investment properties	2,251	2,411	-	-
Dividends	118,024	89,432	-	-
	120,275	156,108	-	-
Total Investment income	142,698	658,193	446,670	428,806

Notes to the Financial Statements (Continued)

13. INVESTMENT INCOME (Continued)

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
13.1 Net losses from financial assets held at fair value through profit or loss				
Shareholders' net losses from financial assets held at fair value through profit or loss				
Shareholder				
Fair value (losses)/gains on investments	21,705	(1,135)	-	-
Foreign exchange gains/(losses)	3,129	(23,421)	-	-
	24,834	(24,556)	-	-
(i) insurance contracts				
Fair value (losses)/gains on investments	(376,384)	109,264	-	-
Foreign exchange gains/(losses)	300,788	(48,774)	-	-
	(75,596)	60,490	-	-
(ii) investment contracts				
Fair value losses on investments	-	(91,175)	-	-
	-	(91,175)	-	-
Total Policyholder net losses from financial assets held at fair value through profit or loss	(75,596)	(30,685)	-	-
Total net losses from financial assets held at fair value through profit or loss	(50,762)	(55,241)	-	-

14. NET INSURANCE BENEFITS AND CLAIMS

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Life insurance contracts				
Individual life				
Death and disability claims	116,095	111,848	-	-
Maturity claims	257,859	244,412	-	-
Policy surrenders	172,099	146,088	-	-
Annuities	554,100	510,448	-	-
Reinsurance share on death and disability claims	(3,300)	(2,225)	-	-
Total individual life	1,096,853	1,010,571	-	-
Group and employee benefits				
Death and disability claims	218,311	200,138	-	-
Policy surrenders	180,866	168,585	-	-
Reinsurance share on death and disability claims	(8,929)	(4,767)	-	-
Total group and employee benefits	390,248	363,956	-	-
Total net insurance benefits and claims	1,487,101	1,374,527	-	-

Notes to the Financial Statements (Continued)

15. ADMINISTRATION EXPENSES INCLUDE:

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Auditors' remuneration				
- audit fee current period	4,680	4,136	500	650
- other services	551	529	-	-
Impairment of goodwill	2,965	-	-	-
Impairment of investment in subsidiaries and associates	-	-	160,370	(20,073)
Depreciation of property and equipment	6,297	9,490	1,179	2,398
Amortisation of intangible assets	7,563	10,324	769	771
Directors' fees				
- for services as directors	3,319	3,287	2,817	2,907
- for managerial services	8,903	13,904	6,186	13,904
- pension contribution	317	527	317	527
Operating lease rentals	18,634	19,535	1,984	1,976
Staff costs	148,704	171,949	24,383	24,237
Salaries and wages for administration staff	124,876	123,515	19,049	18,379
Pension costs	11,387	12,963	2,199	2,313
Restructuring costs	3,799	27,362	-	-
Share based payment	8,642	8,109	3,135	3,545
Average number of employees	391	338	26	27

16. Taxation

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Current tax	(94,550)	(104,900)	-	-
Prior year tax charge	341	-	-	-
Deferred tax	(3,993)	6,198	892	-
Withholding tax on dividends	(753)	-	(1,630)	(24,580)
Capital gains tax	3,261	22,610	-	-
Tax charge	(95,694)	(76,092)	(738)	(24,580)

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

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Profit before tax	462,157	424,378	247,601	413,622
Tax calculated at a tax rate of 22%	101,675	93,363	54,472	90,997
Prior year tax charge	(341)	-	-	-
Expenses not deductible for tax	12,971	2,153	43,904	2,241
Income not subject to tax	(16,771)	(11,839)	(98,514)	(44,078)
Withholding tax on dividends	(753)	-	876	(24,580)
Effect of assessed losses	-	(48)	-	-
Capital gains tax	(1,087)	(7,537)	-	-
Tax charge	95,694	76,092	738	24,580

Income not subjected to tax includes dividends from subsidiaries and associates. Expenses not deductible relate to head office expenses incurred in the generation of non taxable income. The holding company had assesseble losses amounting to P8.8 million (2017: P10.4 million). In terms of Botswana tax laws the amounts can be carried for a period not exceeding 5 years.

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
16.1 TAX PAID				
Opening balance	(4,809)	3,835	1,845	(329)
Tax charge	91,701	82,290	1,630	24,580
Closing balance	(2,428)	4,809	(738)	(1,845)
Tax paid	84,464	90,934	2,737	22,406

Notes to the Financial Statements (Continued)

17. EARNINGS PER SHARE (GROUP ONLY)

	Group 2018 P'000	Group 2017 P'000
Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	366,607	348,016
Number of shares in issue	282,371	282,371
Staff share scheme and treasury shares	(7,492)	(6,902)
Weighted average number of shares used for calculating basic earnings per share	274,879	275,468
Weighted number of dilutive options	65	2,451
Weighted average number of shares used for calculating diluted earnings per share	274,944	277,919
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
- basic	135	127
- diluted	135	126
Earnings per share (thebe) for continuing operations		
- Basic	133	126
- Diluted	133	125

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 AND PROPOSED (GROSS OF WITHHOLDING TAX)

Declared and paid during the year:	**P'000**
Final dividend for the year to 31 December 2017:67 thebe (2016: 67 thebe)	189,189
Special dividend for the year to 31 December 2017: 35 thebe (2016: NIL Thebe)	98,830
Interim dividend for six months to 30 June 2018: 60 thebe (2017: 55 thebe)	169,423
	457,442
Dividend proposed after year end not recognised in the financial statements:	
Final dividend for the year to 31 December 2018: 67 thebe (2017: 67 thebe)	189,189
Special dividend for the year to 31 December 2018: 16 thebe (2017: 35 Thebe)	45,179
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December 2008)	234,368

Notes to the Financial Statements (Continued)

19. RELATED PARTY DISCLOSURES

The Group financial statements include the financial statements of Botswana Insurance Holdings Limited, subsidiaries, associates and joint venture as listed in the following table:

Principal subsidiaries	Country of incorporation	% of interest held 2018	% of interest held 2017	Nature of business
Directly held				
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Limited	Botswana	100	100	Holding company
BLI Investments (Pty) Limited	Botswana	-	-	De-Registered
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
Bifm Unit Trusts (Pty) Ltd	Botswana	-	-	Unit Trusts
Genebase Holdings (Pty) Ltd	Botswana	100	100	Dormant
BIHL Legal Guard (Pty) Ltd	Botswana	100	100	Dormant
BIHL Insurance Company Limited	Botswana	100	100	Short term insurance
BIHL Trust	Botswana	N/A	N/A	Corporate Social Responsibility
BIHL Employee Share Scheme Trust	Botswana	N/A	N/A	Employee Share Trust
KYS Investments (Pty) Ltd	Botswana	62.9	62.9	Hospitality industry
Private Property (Botswana) (Pty) Ltd	Botswana	74	74	Real estate
Letshego Guard (Pty) Limited	Botswana	100	100	Dormant
Indirectly held				
Botswana Insurance Fund Management Limited	Botswana	89	100	Asset management
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance
Bifm Unit Trusts (Pty) Ltd	Botswana	100	100	Unit Trusts

The Holding Company

The ultimate holding company of the Group is Sanlam Limited which is based and listed in South Africa.

Associates and Joint ventures

The Group's interest in associates and joint ventures is disclosed in note 4.5 to the financial statements

		Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
19.1 RELATED PARTY TRANSACTIONS					
Transactions on insurance contracts (expense)/income					
i) Sanlam Limited (59% shareholder of BIHL)					
- Premium ceded to reinsurer		-	-	-	-
- Claim recoveries from reinsurer		-	-	-	-
- Recoveries, travel claims and other meeting expenses		5,498	(144,329)	-	-
ii) Letshego Holdings Limited (Associate company of BIHL)	Credit life income	174,506	133,051	-	-
	Claims paid	(113,781)	(96,319)	-	-
iii) Funeral Services Group Limited (FSG) (Associate company of BIHL)	Share of income	6,788	6,240	-	-

Notes to the Financial Statements (Continued)

19. RELATED PARTY DISCLOSURES (Continued)

	Group		Company	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
Summary of transactions with related parties				
- Shared expenses				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	6,422	5,038
- BIFM (100% owned by BIHL)	-	-	2,523	2,608
- BIHL Unit Trusts (100% owned by BIHL)	-	-	221	218
- BIHL Trust (CSI)	-	-	-	952
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	1,741	1,799
- Dividends received				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	328,840	286,276
- BIFM (100% owned by BIHL)	-	-	103,732	112,197
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	-	-
Year end balances arising from transactions on other services other than insurance contracts				
Amount receivable				
- BIFM (100% owned by BIHL)	-	-	21,895	21,726
- BIHL Employee Share Scheme Trust			18,623	30,678
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	-	-
- BIHL Trust	-	-	1,360	1,525
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	-	462
	-	-	41,878	39,654
Amount payable				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	(11,403)	(7,791)
- Letshego Guard (Pty) Limited (100% owned by BIHL)	-	-	(14,737)	(14,737)
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	(12)	-
- Sanlam (59% shareholder of BIHL)	(17,632)	(4,134)	-	-
	(17,632)	(4,134)	(26,152)	(22,528)

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 2018, the Group did not record an impairment of receivables relating to amounts owed by related parties (2017: NIL). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with key management

(i) Compensation of key management personnel of the Group

	Group 2018	Group 2017	Company 2018	Company 2017
- Short-term employee benefits	23,416	25,905	6,911	6,895
- Pension costs - defined contribution plans	3,751	3,607	829	784
- Share based payments	10,241	5,605	4,296	3,564
- Other long-term benefits	2,403	6,583	-	-
	39,811	41,700	12,036	11,243

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)

19. RELATED PARTY DISCLOSURES (Continued)

(ii) Directors' shareholding in Group	2018 No of shares	2017 No of shares
B Dambe-Groth	23,923	23,923
M Mpugwa	5,569	5,569
T.C Masire	591	1,296
C Lesetedi	211,637	183,299
Total	241,720	214,087

	Group		Company	
	2018	2017	2018	2017
(iii) Non - executive directors' remuneration	P'000	P'000	P'000	P'000
- For services as directors	3,319	3,268	2,803	2,750
- For other services	45	86	-	-
	3,364	3,354	2,803	2,750

(iii)Executive directors emoluments (Group and Company)
The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long term incentive plans.

(a) Short-term emoluments

Name	Months of service	Salary P'000	Bonus P'000	Other benefits P'000	Total P'000
2018					
C Lesetedi	12	2,328	1,558	317	4,203
Total executive directors		2,328	1,558	317	4,203
2017					
C Lesetedi	12	2,206	450	67	2,723
Total executive directors		2,206	450	67	2,723

Notes to the Financial Statements (Continued)

19. RELATED PARTY DISCLOSURES (Continued)

(ii) Executive directors emoluments (Group and Company) (continued)

(b) Long-term emoluments

Share purchase plans

	No. of options	No of grants-CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
2018							
C Lesetedi							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.20	(89,489)	-	-	-
Granted 2013	-	66,158	16.30	(66,158)	-	-	-
Granted 2014	-	65,270	18.55	(65,270)	-	-	-
Granted 2015	-	105,846	17.50	(105,846)	-	-	-
Granted 2016	-	80,402	-	-	-	80,402	2026
Granted 2017	-	71,423	-	-	-	71,423	2027
Granted 2018	-	102,426	-	-	-	102,426	2028
Total	231,413	581,014	-	(558,176)	-	254,251	-
2017							
C Lesetedi							
Granted 2010	231,413	-	17.13	(231,413)	-	-	-
Granted 2013	-	89,489	15.20	(89,489)	-	-	-
Granted 2013	-	66,158	16.30	(66,158)	-	-	-
Granted 2014	-	65,270	18.55	(65,270)	-	-	-
Granted 2015	-	105,846	-	-	-	105,846	2025
Granted 2016	-	80,402	-	-	-	80,402	2026
Granted 2017	-	71,423	-	-	-	71,423	2027
Total	231,413	478,588	-	(452,330)	-	257,671	-

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed. Refer to note 21(b) for additional information on the scheme.

Notes to the Financial Statements (Continued)

20. COMMITMENTS

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Operating lease commitments				
(i) The future minimum lease payments under non-cancellable operating leases				
Within one year	6,925	4,693	2,083	1,518
More than 1 year, but less than 5 years	6,682	4,222	2,048	3,253

The operating leases are for buildings that the Group is renting for business purposes. The leases are over an average period of five years.

(ii) The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease payments under non-cancellable operating leases

	Group 2018 P'000	Group 2017 P'000	Company 2018 P'000	Company 2017 P'000
Future minimum lease rentals receivable				
Within one year	7,744	6,427	-	-
More than 1 year, but less than 5 years	9,052	15,644	-	-

(ii) The company has entered into operating leases on a portion of its owner occupied property. Contingent rents are recognised as revenue in the period in which they are earned. Leases are subject to escalations on the anniversary of the lease as agreed with the lessor.

21. EMPLOYEE BENIFITS

(a) Retirement benefit plan

Defined contibution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Group in a fund under the control of trustees.

The total expense charged to income of P11.7 million (2017: P13.3 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plan.

Notes to the Financial Statements (Continued)

21. EMPLOYEE BENEFITS (Continued)

(b) Share-based payment

The Group has a share based payment scheme. The scheme is divided for (i) Management (ii) Other Staff.

The Group introduced additional two new schemes in 2010. These are (a) The Share Option Scheme and (b) Conditional Share plan

(i) Management Staff scheme
The management scheme is classified as equity settled share based payment. The objective of the scheme is to retain staff. Management staff are granted options to purchase shares of the Holding Company - Botswana Insurance Holdings Limited after a period of 2 years of continuous service to the Group. The share options vest after a period of 6 years, of continuous service, from the grant date; 1/3 vesting after every 2 years. The options are issued at the ruling market price on the date of grant.

After the share options have vested, employees are given a period of 10 years from the date of vesting to exercise their option. The amount carried in the share based reserve at 31 December 2018 is P21 million (31 December 2017: P 21 million). The expense recognised in the income statement is PNIL (2017: PNIL).

	2018	2018	2017	2017
	Number of share options	Weighted average exercise price Pula	Number of share options	Weighted average exercise price Pula
Movement during the year	**'000**		**'000**	
Outstanding at the beginning	150	16.90	892	16.90
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(150)	16.90	(742)	16.90
Outstanding at the end of year	-	-	150	16.90
Exercisable at 31 December	-	-	150	16.90

Price (Pula)	Number of options outstanding
NIL	NIL
	NIL

The weighted average remaining contractual life for the shares outstanding as at 31 December 2018 is nil years (2017: 1 years)
There were no new grants during the year. (2017: NIL)
The range of exercise prices for options outstanding at the end of the year was NIL (2017: P16.90).

(ii) Other Staff
The scheme has been wound up and the share based payment reserve of P42.1 million was moved to retained earnings in 2017. Staff were granted share options after a period of 2 continuous years of service to the group. The share options vested after a period of 3 years of continuous service from the grant date; therefore the employee had to be continuously employed with the group for 5 years before the shares vested. Staff did not pay for the share options. As the settlement was by way of shares, the scheme was classified as equity settled for accounting purposes.

(iii) The Share Option Scheme (SOS)
All employees are eligible to participate in the scheme based on superior performance.
BIHL grants the employees option to obtain shares in BIHL. The share options vests after a period of three years of continuous service from the grant date. The shares are issued at the ruling market price on the date of the grant. The Company and Group accounts for the awards as equity settled.

After the share options have vested, employees are given a period of 10 years from the offer date to exercise their option. The amount carried in the share based reserve at 31 December 2018 is P0.752 million (31 December 2017: P0.752 million). The expense recognised in the income statement is PNIL (2017: PNIL).

	2018	2018	2017	2017
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Movement during the year	**'000**	**Pula**	**'000**	**Pula**
Outstanding at the beginning	65	11.60	177	11.60
Exercised	-	-	(112)	11.60
Outstanding at the end of year	65	11.60	65	11.60
Exercisable at 31 December	65	11.60	65	11.60

Notes to the Financial Statements (Continued)

21. EMPLOYEE BENEFITS (Continued)

There were no options granted during the year (2017: PNIL). The weighted average value of options granted during the year was PNIL(2017: PNIL)

The weighted average remaining contractual life for the shares outstanding as at 31 December 2018 is 3 years (2017: 4 years)

The range of exercise prices for options outstanding at the end of the year was P11.00 - P11.75 (2017: P11.00 - P11.75)

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

The amount carried in the share based reserve at 31 December 2018 is P47.8 million (31 December 2017: P44.7 million). The expense recognised in the income statement is P8.6 million (2017: P8.1 million).

	2018	2018	2017	2017
	Number of grants	Weighted average Fair value price at grant/exercise date	Number of grants	Weighted average Fair value price at grant/exercise date
Movement during the year	**'000**	**Pula**	**'000**	**Pula**
Outstanding at the beginning	1,403	10.29	3,591	10.99
Granted	841	15.20	517	17.55
Forfeited	(318)	16.35	-	-
Exercised	(615)	18.54	(2,705)	15.47
Outstanding at the end of year	1,311	13.79	1,403	10.29

The weighted average remaining contractual life for the grants outstanding as at 31 December 2018 is 3 years (2017: 3 years).

The number of Conditional shares granted during the year was 840,907 (2017: 516,745).

The weighted average fair value exercise prices for grants outstanding at the end of the year was P13.79 (2017: P10.29).

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

	2018	2017
Dividend yield	6.59%	6.64%
Volatility	2.99%	3.34%
Risk free interest rate	5.38%	5.38%
Spot price	17.50	18.54
% of remaining employees	80.00%	80.00%

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

Dividend yield	6.59%	7.28%
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price	17.50	18.54
% of remaining employees	80%	80%

Notes to the Financial Statements (Continued)

21. EMPLOYEE BENIFITS (Continued)

Options pricing model
Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option-pricing model. In terms of best practice, we have adopted a modified binomial tree model for valuation purposes, which can be described, at a high-level, as follows:

i) The life of the option is divided into a large number of small time periods.
ii) A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.

iii) Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.

iv) For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value is used to estimate the option's value, reflecting the fact that the option cannot be exercised prior to vesting date.

v) Once the value at a particular node has been determined, that value is discounted to the prior period using the risk-free yield curve, and taking into account the probability of realising that value. Eventually, the value at the first node (i.e. corresponding with valuation date) is calculated. This represents the fair value of the option.

Other inputs used
Generally, there are seven variables that determine the price of an employee share option:
i) The market price of the underlying share at the grant date;
ii) The strike price of the option;
iii) The time remaining until the option expires (i.e. the expiry date of the option);
iv) The time remaining until the option vests;
v) The expected dividend yield of the underlying share over the life of the option;
vi) The expected volatility of the underlying share over the life of the option; and
vii) The risk-free interest rate over the life of the option.

Volatility
The volatility input to the pricing model is a measure of the expected price fluctuations of the underlying security over a given period of time. Volatility is measured as the annualised standard deviation of the daily price changes in the underlying share under the assumption that the share price is log-normally distributed. This is in line with market practice. All else being equal, the more volatile the underlying share, the greater the price of the option.

There are two common approaches to calculating volatility. The first method uses historical price data of the underlying share, while the second technique employs data from the options market itself (provided that an active market exists for the options under consideration). Because there are no options trading in the market that are similar to the BIHL share options, historical data from a period prior to each grant date, which is commensurate with the options' contractual term to maturity, was used to calculate the expected volatility of the BIHL shares over the options' lifetimes.

(c) BIFM CEE scheme
Participants to the BIFM CEE scheme are given participation rights in the form of unit which in turn are linked to the performance of the BIFM Limited share price. The vesting of the conditional awards is subjec to the participant being continously employed for three year until the vesting date and fulfiling performance conditions. For awards issued in February 2018, the vesting of the grants are over the three financial years ending December 2020.

After the grants options have vested, employees are given a period of 30 days from the date of vesting to exercise their option. The expense recognised in the income statement is P897 thousand (2017: PNIL).

Notes to the Financial Statements (Continued)

21. EMPLOYEE BENIFITS (Continued)

Movement during the year	2018 Number of unit options '000	2018 Weighted average exercise price Pula	2017 Number of unit options '000	2017 Weighted average exercise price Pula
Outstanding at the beginning	-	-	-	-
Granted	960	2.97	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end of year	960	2.97	-	-
Exercisable at 31 December	960	2.97	-	-

The BIFM CEE scheme is cash-settled and is thus repriced at each reporting date. The fair value of shares granted under this scheme during the current financial year, has been calculated using the closing price of P2.70 adjusted for expected future dividends that will be declared by BIFM during the vesting period.

Included in the share based payment reserve is an amount of P897 thousand (2017:PNIL) arising from the BIFM CEE Scheme.

22. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Profit before tax from continuing operations	462,157	424,378	247,601	413,622
Non cash flow items	(28,837)	(94,547)	165,453	(13,359)
Depreciation	6,297	9,490	1,179	2,398
Amortisation	7,563	10,324	769	771
Impairment of investment in subsidiaries	-	-	160,370	(20,073)
Unrealisedfair value gains on shareholder assets	(24,834)	24,556	-	-
Net unrealised losses/(gains) from financial assets held at fair value through profit or loss	75,596	(59,752)	-	-
Unrealised fair value gains on investment properties and property funds	(55,354)	(1,354)	-	-
Profit on sale of associates	-	(12,993)	-	-
Equity-accounted earnings	(52,871)	(72,927)	-	-
Rental expense (straight lined)	18,634	-	-	-
Rental paid	(12,510)	-	-	-
Share - based payments	8,642	8,109	3,135	3,545
Items disclosed separately	(216,688)	(177,957)	(448,952)	(424,778)
Interest income	(97,323)	(88,360)	(2,539)	(823)
Dividend income	(119,365)	(89,597)	(446,413)	(423,955)
Working capital changes:	340,421	1,054,544	19,678	23,958
Net increase in insurance and other receivables	(7,193)	(101,131)	14,271	11,980
Net increase in policyholder liabilities	302,847	1,261,844	-	-
(Increase)/decrease in reinsurance assets	(3,933)	519	-	-
Net increase/(decrease) in insurance and other payables	48,700	(106,688)	5,407	11,978
	557,053	1,206,418	(16,220)	(557)

Notes to the Financial Statements (Continued)

23. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Cash and bank				
Cash and bank	49,340	101,886	63,504	82,368
Funds on deposit	63,504	82,368	-	-
Cash and cash equivalents	112,844	184,254	63,504	82,368

Cash and cash equivalents are held for varying periods of between one day and three months depending on the immediate cash requirements of the Group. All deposits are subject to an average variable interest rate of 1.77% (2017: 3.35%). Funds on deposit have a maturity of three months or less.

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

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT

24.1 FINANCIAL RISKS

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

Type of risk	Description
Financial risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following:
	Equity price risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
	Interest rate risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
	Currency risk: the risk that fair value or future cash flows 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 policyholder, while the market risk notes only include shareholder instruments and policyholder instruments that are not linked or not market related.

24.2 MARKET RISK

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

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

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

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

24.3 INTEREST RATE RISK

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

2018

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
BWP	0.5%	264,264	1,321	1,030
BWP	-0.5%	264,264	(1,321)	(1,030)
USD	0.5%	13,449	67	52
USD	-0.5%	13,449	(67)	(52)

2017

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
BWP	0.5%	232,525	1,163	907
BWP	-0.5%	232,525	(1,163)	(907)
USD	0.5%	9,477	47	37
USD	-0.5%	9,477	(47)	(37)

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Company

2018

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
BWP	0.5%	63,504	318	248
BWP	-0.5%	63,504	(318)	(248)

2017

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
BWP	0.5%	82,368	412	321
BWP	-0.5%	82,368	(412)	(321)

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 bring 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.

Group

2018

	United States Dollar 000
Equity instruments	173,854
Money market instruments	13,266
Foreign currency exposure	187,120
Average rate	10.28
Closing rate	10.73

2017

	United States Dollar P000	Other currencies P000	Total P000
Equity investments	14,089	-	14,089
Money market instruments	9,120	-	9,120
Bonds	179	-	179
Foreign currency exposure	23,388	-	23,388
Average rate	10.34	-	10.34
Closing rate	10.00	-	10.00

Currency sensitivity
The following table demonstrates the sensitivity (for shareholder funds and assets backing non participating policies) to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Group

2018

	Value (P000	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
USD	187,120	9,356	7,298
USD	187,120	(9,356)	(7,298)

Currency sensitivity

2017

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
USD	5%	23,388	1,169	912
USD	-5%	23,388	(1,169)	(912)

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)

24. RISK MANAGEMENT (Continued)

Group

2018

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
Botswana Stock Exchange	3%	12,919	388	303
Listed property companies - Botswana	3%	909	27	21
World Equity Index	1%	173,854	1,739	1,356
Botswana Unit Trusts	3%	515	15	12
Total exposure		188,197	2,169	1,692

2017

	Change in variables	Value (P000)	Increase / (decrease) in profit before tax (P000)	Increase / (decrease) in equity (P000)
Botswana Stock Exchange	3%	144,314	4,329	3,377
Listed property companies - Botswana	3%	977	29	23
World Equity Index	1%	14,089	141	110
Botswana Unit Trusts	3%	91,216	2,736	2,134
Total exposure		250,596	7,235	5,644

24.6 CREDIT RISK

Credit risk in the Group arises from the possibility of investments in bonds, offshore money markets, long term reinsurance assets, insurance and other receivables, reinsurance contracts receivables, deferred insurance acquisition cost, local money markets, policy loans and other loans, related party receivables and cash and bank balances with banks will not be redeemed by the relevant counter parties when they become due.

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

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. It is the Group's objective to bring credit risk to a minimum.
- Net exposure limits are set for each counterparty or group of counterparties, geographical and industry segments; i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investment that may be held.
- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.
- Reinsurance is placed with highly rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews.
- The credit risk in respect of customer balances, incurred on non payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. There is no concentration of risk with respect to customer balances as the company has a large number of varied customers.
- The policyholder and shareholder funds follow specific investment mandates that have been agreed with asset managers. These mandates depict how much type of assets to hold in each portfolio based on their perceived risk and thereby reducing both concentration of specific assets and of currency. There is also a diversity in the different sectors of economy in which 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.

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Group

	2018 Total P000	2017 Total P000
Investment in property funds and companies	-	244,021
Long term reinsurance assets	6,350	2,417
Government bonds	4,463,934	3,921,988
Corporate bonds (listed, unlisted)	3,567,978	3,663,642
Money market instruments	1,204,818	978,000
Other loan advances	393,951	496,229
Loans at amortised cost	50,000	-
Insurance and other receivables	304,585	290,858
Cash, deposits and similar securities	112,844	184,254
Maximum credit risk exposure	10,104,460	9,781,409

Company

	2018 Total P000	2017 Total P000
Other receivables	656	2,414
Related party balances	41,878	54,391
Cash, deposits and similar securities	63,504	82,368
Maximum credit risk exposure	106,038	139,173

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 (2017: A2 rating) for Government bonds. The A2 rating is based on the assessment that balances potential challenges associated with a country having a small size economy and middle-income status, against the strength relating to the country's sound policy framework and effectiveness of Government. The assessment further noted that the country has institutional strength supporting a well designed macroeconomic framework and a stable political environment.

Group
2018

	Botswana Pula	A2 rated	Not rated	Total P'000
Long term reinsurance assets	6,350	-	6,350	6,350
Government bonds	4,401,788	4,401,788	-	4,401,788
Corporate bonds and other	3,630,124	-	3,630,124	3,630,124
Money markets	1,204,818	-	1,204,818	1,204,818
Other loan advances	393,951	-	393,951	393,951
Other loans at amortised cost	50,000	-	50,000	50,000
Insurance and other receivables	304,585	-	304,585	304,585
Cash and bank balances	112,844	-	112,844	112,844
TOTAL ASSETS	10,104,460	4,401,788	5,702,672	10,104,460

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

2017

Unlisted Bonds	Botswana Pula	A2 rated	Not rated	Total P000
Long term reinsurance assets	2,417	-	2,417	2,417
Government bonds	3,748,085	3,748,085	-	3,748,085
Corporate bonds and other	3,837,545	-	3,837,545	3,837,545
Money markets	978,000	-	978,000	978,000
Policy loans and other loan advances	496,229	-	496,229	496,229
Insurance and other receivables	290,858	-	290,858	290,858
Cash and bank balances	184,254	-	184,254	184,254
TOTAL ASSETS	9,537,388	3,748,085	5,789,303	9,537,388

With the exception of insurance and other receivables and one other corporate bond that had an impairment of P10m (2017: nil), none of the other non-rated assets were impaired as at 2018 and 2017 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 and other loan advances were secured by the policy investment value. Trade and other receivables are on 30 day terms (refer note 5).

Collateral held in respect of financial assets
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Government bonds do not have collateral as these are deemed low risk and recoverable.

No transfer of ownership takes place in respect of collateral and any such collateral accepted from counterparties may not be used for any purpose other than being held as security.

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Unlisted bonds	2018 Collateral held P'000	2018 Credit exposure P'000	2017 Collateral held P'000	2017 Credit exposure P'000
ABC Holdings Limited	61,554	139,461	58,635	215,831
Botho Park	180,000	50,178	175,000	52,362
Botswana Savings Bank	-	62,147	-	64,941
Choppies	65,000	65,000	65,000	75,221
Cash Bazaar Holdings	150,000	122,550	150,000	125,151
RDC properties Limited	139,000	59,174	135,000	124,991
Three Partners Resort (Pty) Ltd	558,860	76,693	535,000	77,461
Stanbic Bank PLC	-	931,522	-	883,291
First National Bank of Botswana	-	481,825	-	458,166
Lonrho Hotels Botswana	30,000	34,121	30,000	35,387
Real People Investment Holdings	-	50,188	-	65,543
Allied Investments Limited	211,930	103,021	150,000	145,261
Prime Time Holdings	93,530	80,135	81,250	81,715
Standard Bank	-	931,522	-	412,423
The FAR Property Company Limited	147,208	112,527	208,300	116,407
Flip Coin (Pty) Ltd	165,416	97,124	120,129	97,550
BIFM Offshore bond	-	89,011	-	139,218
BIFM Local Bond	-	342,330	-	280,493
Meybeernick Investment (Pty) Ltd	-	114,745	-	115,977
Babereki Investments (Pty) Ltd	140,284	50,000	140,284	50,000
Stanbic Bank Botswana Limited (SBL061)	-	-	-	117,652
Government of Botswana (BW005	-	-	-	2,988
Government of Botswana(BW007)	-	287,030	-	711,977
Government of Botswana(BW011)	-	1,966,697	-	1,654,670
Government of Botswana(BW012)	-	1,185,957	-	942,593
Government of Botswana(BW015)		235,213	-	-
US Treasury	-	160,126	-	169,241
Debt Participation Capital Fund(DPCF005)	-	36,726	-	39,171
Debt Participation Capital Fund (DPCF006)	-	23,046	-	24,040
Debt Participation Capital Fund (DPCF007)	-	16,049	-	16,623
Water Utilities Corporation (WUC002)	-	130,023	-	133,633
Total	1,942,782	8,034,144	1,848,598	7,429,977

Subsequent to year end, an early settlement of the credit facility extended to Choppies of P65 million was received. Cash collateral of P65 million held in a Barclays Bank of Botswana account in favour of the Company was used to effect the settlement.

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Impairment assessment

Accounting policy note 7 on financial instruments-Impairment of financial assets details the approach to determining whether an instrument or a portfolio of instruments is subject to twelve month ECLs or Lifetime ECLs.

Impairment losses on financial investments subject to impairment assessment

The Group applies a simplified approach in calculating ECLs for Trade and Other receivables, Agents and Brokers and Related party loans. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group calculates the ECL by first determining the probability of default. Default exposures are those that satisfy either or all of the following criteria:
a) material exposures which are more than 120 days past-due;
b) the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.
c) credit impaired exposures

The probability of default is calculated according to the following formula:

PiT PD = (Total Exposure of facilities that defaulted observation period)/(Total Exposure in the beginning period)

The Pit PD is applied to the receivable balance in order to arrived at the amount Exposed to Default. The Loss given default (LGD) is applied to the amount Exposed to Default to determine the Expected Lifetime Credit Loss

Loss given default (LGD) are assigned using historical experience of recoverability for each class of receivables. Since none of the receivables are collateralised, past history of recoverability is used for determining the LGD.

The ECL provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The forward looking information considered includes forecast economic conditions(a positive economic growth rate of 4.2% is projected in 2019, Government employees' salaries are going up by at least 6% annually for the next two years) which should have positive impact on policy cancellation rates or lapses and consequently lead to low default by brokers, agents and other debtors.

The tables below shows the values of the Group's financial instruments subject to ECL together with the estimated lifetime credit losses (LTECL) calculations. The total amount of provision using the simplified approach in calculating the ECLs is P17.6 million and is detailed below. The Group had calculated the provision for impairment using IAS39 approach and obtained a figure of P18.9 million. A decision was made to provide for impairment of P18.9 million.

Broker loans and Agent advances/ Commissions

	Balance at 31 Dec 2018 P'000	PiT (PD) P'000	Exposed to default P'000	LGD P'000	Expected Credit Loss (Life Time) P'000
Advances/loans to Brokers exposed to default	9,372	100%	9,372	49%	4,566
Loans to Agents	15,270	97%	14,780	75%	11,085
					15,651

Broker loans and Agent advances/ Commissions – These are loans where the amounts paid include both principal and interest and a general model approach to determine ECL is more feasible. However, since the portfolio consists of several individual insignificant debtors, the net amounts outstanding after adjusting for retentions are considered for ECL. Based on past history, there have been instances of impairments and provisions against these loans and hence LGD at 50% of the total Net exposure (Debit balances) is considered for broker loans and 75% for the agency advances and commissions are considered. Except for loans to brokers, all other advances are repayable within 12 months and hence are eligible for simple approach to determine ECL

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Trade and Other Receivables

	Balance at 31 Dec 2018 P'000	PiT (PD) P'000	Exposed to default P'000	LGD P'000	Expected Credit Loss (Life Time) P'000
Staff debtors	1,496	92.07%	1,377	25%	344
Sundry debtors	11,059	59.20%	6,547	25%	1,637
					1,981

Amount actually provided
Trade and Other receivables are based on the past trends and history and the loss model is similar to IAS 39. The net flow rate reveals that collections are periodically and regularly received and hence the LGD is conservatively determined at 25% of the exposure to default

Related party receivables
The Related party receivables are all recoverable.

24.7 LIQUIDITY RISK

The liquidity risk arises from the potential inability of the Group paying its policyholders and short term creditors when they become due or they mature, because assets are not properly matched. There is an Actuarial Committee and an Investment Committee that meet periodically to review the matching of assets and liabilities and other investment decisions; the Group is continually looking for investments that match its liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities are based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Assets maturities have been disclosed on the basis of contractual maturities. The disclosures are based on both shareholder and policyholder assets

Company

2018	< 1 year	1-5 years	> 5 years	On demand	Open ended	Total
Financial Assets:	P'000	P'000	P'000	P'000	P'000	P'000
Insurance and other receivables	656	-	-	-	-	656
Related party balances	41,878	-	-	-	-	41,878
Cash, deposits and similar securities	63,504	-	-	-	-	63,504
	106,038	-	-	-	-	106,038
Financial Liabilities:						
Insurance and other payables	23,295	-	-	-	-	23,295
Related party balances	26,152	-	-	-	-	26,152
	49,447	-	-	-	-	49,447

2017	< 1 year	1-5 years	> 5 years	On demand	Open ended	Total
Financial Assets:	P'000	P'000	P'000	P'000	P'000	P'000
Insurance and other receivables	2,414	-	-	-	-	2,414
Related party balances	54,391	-	-	-	-	54,391
Cash, deposits and similar securities	82,368	-	-	-	-	82,368
	139,173	-	-	-	-	139,173
Financial Liabilities:						
Insurance and other payables	21,511	-	-	-	-	21,511
Related party balances	22,529	-	-	-	-	22,529
	44,040	-	-	-	-	44,040

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

Maturity analysis of financial assets and financial liabilities:

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable:

Group 2018	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Financial Assets:							
Long term reinsurance assets	6,350	6,350	-	-	-	-	6,350
Investment in unlisted property companies	294,132	-	-	-	-	294,132	294,132
Bonds (Government, public authority, listed & unlisted corporates)	8,031,912	309,084	313,642	10,656,826	-	-	11,279,552
Equity investments	3,415,317	-	-	-	-	3,415,317	3,415,317
Money market instruments	1,204,818	1,204,818	-	-	-	-	1,204,818
Other loan advances	393,951	213,925	220,848	-	-	-	434,773
Other loans at amortised cost	50,000	6,000	27,729	54,616	-	-	88,345
Insurance and other receivables	304,585	304,585	-	-	-	-	304,585
Cash, deposits and similar securities	112,844	112,844	-	-	-	-	112,844
Total undiscounted assets	13,813,909	2,157,606	562,219	10,711,442	-	3,709,449	17,140,716
Financial Liabilities:							
Policyholders liabilities							
-Insurance contracts	9,859,345	140,667	553,584	9,101,921	-	63,173	9,859,345
-Investment contracts	2,661,843	-	-	-	2,661,843	-	2,661,843
Related party balances	17,632	17,632	-	-	-	-	17,632
Insurance and other payables	393,813	393,813	-	-	-	-	393,813
Total undiscounted liabilities	12,932,633	552,112	553,584	9,101,921	2,661,843	63,173	12,932,633

Group 2017	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	On demand P'000	Open ended P'000	Total P'000
Financial Assets:							
Long term Reinsurance assets	2,417	2,417	-	-	-	-	2,417
Investment in unlisted property companies	244,021	-	-	-	-	244,021	244,021
Bonds (Government, public authority, listed & unlisted corporates)	7,585,630	383,299	1,664,004	8,569,989	-	-	10,617,292
Equity investments	3,656,189	-	-	-	-	3,656,189	3,656,189
Money market instruments	978,000	978,000	-	-	-	-	978,000
Policy loans and other loan advances	496,229	329,555	118,501	146,379	-	-	594,435
Insurance and other receivables	290,858	290,858	-	-	-	-	290,858
Cash, deposits and similar securities	184,254	184,254	-	-	-	-	184,254
Total undiscounted assets	13,437,598	2,168,383	1,782,505	8,716,368	-	3,900,210	16,567,466
Financial Liabilities:							
Policyholders liabilities							
-Insurance contracts	9,388,540	133,033	548,122	8,631,678	-	75,707	9,388,540
-Investment contracts	2,829,801	-	-	-	2,829,801	-	2,829,801
Related party balances	4,134	4,134	-	-	-	-	4,134
Insurance and other payables	364,724	364,724	-	-	-	-	364,724
Total undiscounted liabilities	12,587,199	501,891	548,122	8,631,678	2,829,801	75,707	12,587,199

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained through an actuarial modelling process.

Notes to the Financial Statements (Continued)

24. RISK MANAGEMENT (Continued)

24.8 INSURANCE RISK

The principal risk the Group faces under non-life insurance contracts is the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective of the Group is to have sufficient reserves available to cover these liabilities.

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

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

25. FAIR VALUE DISCLOSURES

Determination of fair value and fair values hierarchy
The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018:

	Fair value measurement using			
31 December 2018	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Non Financial Assets	**P'000**	**P'000**	**P'000**	**P'000**
Investment properties - Physical properties	-	-	117,344	117,344
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	294,132	294,132
Bonds	4,401,788	-	3,630,124	8,031,912
Government	4,401,788	-	62,147	4,463,935
Corporate bonds - Unlisted	-	-	3,567,977	3,567,977
Money market instruments	-	1,204,818	-	1,204,818
Equity investments	2,529,758	-	885,559	3,415,317
Other loan advances	-	-	393,951	393,951
	6,931,546	1,204,818	5,321,110	13,457,474
Financial Liabilities				
Long term policyholder liability - insurance contracts	-	9,859,345	-	9,859,345
Investment contract liabilities	-	2,661,843	-	2,661,843
	-	12,521,188	-	12,521,188
Non-current asset held for sale- money market instruments		38,659		38,659

Notes to the Financial Statements (Continued)

25. FAIR VALUE DISCLOSURES (Continued)

	Fair value measurement using			
31 December 2017	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Non Financial Assets	**P'000**	**P'000**	**P'000**	**P'000**
Investment properties - Physical properties	-	-	112,101	112,101
Financial Assets				
Investment properties- Investment in unlisted property companies	-	-	244,021	244,021
Bonds	3,748,085	-	3,837,545	7,585,630
Government	3,748,085	-	64,941	3,813,026
Corporate bonds - Unlisted	-	-	3,772,604	3,772,604
Money market instruments	-	978,000	-	978,000
Equity investments	2,924,827	-	731,362	3,656,189
Policy loans	-	-	8,835	8,835
Other loan advances	-	-	487,394	487,394
	6,672,912	978,000	5,421,258	13,072,170
Financial Liabilities				
Long term policyholder liability - insurance contracts	-	9,388,540	-	9,388,540
Investment contract liabilities	-	2,829,801	-	2,829,801
	-	12,218,341	-	12,218,341
Non-current asset held for sale- money market instruments		37,166		37,166

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)

25. FAIR VALUE DISCLOSURES (Continued)

Level 2

Money Market instruments - Refer to note 4.1 for interest rates. Also refer to Accounting policy note on Fair value and as per valuation techniques table on the next page
Investment contract liabilities - Refer to Accounting policy note on fair values and as per valuation techniques table on the next page.
Policyholder liabilities under insurance contracts - Refer to Accounting policy note on fair values and as per valuation techniques table on the next page

Level 3 valuation

Investment Properties - Refer to note 4.4 on how fair value is determined.
Unlisted Bonds - Refer to note 4.1 on how the fair value is determined.
Policy loans and other loan advances - Refer to note 4.3 on how the fair valuation is determined.
Equity investments - The fair value of the assets are calculated based on units held and unit prices provided by the Fund Managers.
If one or more of the significant inputs is not based on observable market data, the unlisted instrument is included in level 3.

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

Group	Investment in physical properties	Investment in unlisted property companies	Equity investments	Policy loans	Other loan advances	Bonds	Total Assets
Level 3 Financial Assets			P'000	P'000	P'000	P'000	P'000
31 December 2018							
Opening balance	112,101	244,021	731,362	8,835	487,394	3,837,545	5,421,258
Total gains/(loss) in comprehensive income	5,243	50,111	148,478	-	10,609	66,350	280,791
Reclassification to amortised cost	-	-	-	-	(50,000)	-	(50,000)
Acquisitions	-	-	-	-	-	41,422	41,422
Disposals		-	-	-	-	(315,193)	(315,193)
Settlements/ Repayments	-	-	-	(8,835)	(54,052)	-	(62,887)
Closing balance	117,344	294,132	879,840	-	393,951	3,630,124	5,315,391
31 December 2017							
Opening balance	110,747	153,584	53,812	21,444	395,085	3,720,063	4,454,735
Adjusted due to IFRS 13	-	-	-	-	-	-	-
Total gains/(loss) in comprehensive income	1,354	90,437	-	(10,022)	-	63,200	144,969
Acquisitions	-	-	677,550	705	-	93,063	771,318
Disposals		-	-	-	-	(38,781)	(38,781)
Settlements/Repayments	-	-	-	(3,292)	92,309	-	89,017
Closing balance	112,101	244,021	731,362	8,835	487,394	3,837,545	5,421,258

Gains and losses (realised and unrealised) included in profit or loss	**2018**	**2017**
Group	**P'000**	**P'000**
Total gains or losses included in profit or loss for the period	280,791	144,969
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(16,197)	(20,676)

There were no transfers from level 1 to level 2 fair value measurements during the year ended 31 December 2018 (31 December 2017: NIL).

Notes to the Financial Statements (Continued)

25. FAIR VALUE DISCLOSURES (Continued)

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Significant observable inputs	Significant unobservable inputs
Investment in physical properties	3	Discounted cash flow model (DCF)	Consumer Price Index	Estimated cash flows plus capitalization rate and vacancy rates (Refer to note 4.4)
Investment in unlisted property companies	3	Net Asset value of underlying assets derived using the Discounted cash flow model (DCF)	Market Price for underlying properties	Discount rate and estimated cash flows
Money Markets	2	Discounted cash flow model (DCF)	Unit price	
Equity investments (unlisted)	3	Net fair value of underlying assets, Discounted cash flow model (DCF)		Discount rate and cash flow
Unit funds (unlisted)	3	Discounted cash flow model (DCF), Earnings multiple		Cost of capital and earnings multiple
Policy loans	3	Discounted cash flow model (DCF)		Discount rate and cash flow (Refer to note 4.3)
Other loans	3	Discounted cash flow model (DCF)	Cash flow plus risk adjusted rate	Discount rate and cash flows (Refer to note 4.3)
Unlisted bonds	3	Discounted cash flow model (DCF)	Risk free rate plus credit spread	Discount rate and cash flows(Refer to note 4.1)
Long term Policy liabilities	3	DCF, Earnings multiple, surrender price by issuer		Unit price and risk adjusted interest rate
Investment contract liabilities	2	Net fair value of related assets		Net fair value of related assets

Notes to the Financial Statements (Continued)

25. FAIR VALUE DISCLOSURES (Continued)

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

Group	Carrying amount	Effect of a 10% increase in estimated cash flows	Effect of a 10% decrease in estimated cash flows	Effect of a 1% increase in capitalisation rate	Effect of a 1% decrease in capitalisation rate
Financial assets:	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
2018					
Investment in physical properties	117,344	9,153	(9,153)	(9,388)	9,388
Investment in unlisted property companies	294,132	22,942	(22,942)	(23,531)	23,531
Group					
2017					
Investment in physical properties	112,101	8,744	(8,744)	(8,968)	8,968
Investment in unlisted property companies	244,021	19,034	(19,034)	(19,522)	19,522

Group	Carrying amount	Effect of a 10% increase in estimated cash flows	Effect of a 10% decrease in estimated cash flows	Effect of a 2% increase in capitalisation rate	Effect of a 2% decrease in capitalisation rate
2018	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Other loan advances	393,951	10,860	(10,860)	(6,146)	6,146
Bonds	3,630,124	224,277	(224,277)	(56,630)	56,630
Total	4,024,075	235,137	(235,137)	(62,776)	62,776

Group	Carrying amount	Effect of a 10% increase in estimated cash flows	Effect of a 10% decrease in estimated cash flows	Effect of a 2% increase in discount rate	Effect of a 2% decrease in discount rate
2017	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Policy loans	8,835	3,984	(3,984)	(138)	138
Other loan advances	487,394	10,860	(10,860)	(7,603)	7,603
Bonds	3,837,545	224,277	(224,277)	(59,866)	59,866
Total	4,333,774	239,121	(239,121)	(67,607)	67,607

Group	Carrying amount	Effect of a 2% increase in unit price	Effect of a 2% decrease in unit price
2018	**P'000**	**P'000**	**P'000**
Equity investments	885,559	13,815	(13,815)
Group			
2017			
Equity investments	731,362	11,409	(11,409)

Notes to the Financial Statements (Continued)

25. FAIR VALUE DISCLOSURES (Continued)

Investment Policy

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

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

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

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

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

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

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

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

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

(b) Cash and money market: BIFM manages cash and short-dated money-market instruments primarily for liquidity purposes. BIFM minimises credit risk by investing with reputable banks. BIFM negotiates to get high interest rates on behalf of its clients.

Property - Property is a unique asset class, with bond-like and equity-like features, that matches the liability profiles of a large number of pension funds. Enhanced yields and rental escalations are received over time. The philosophy is to invest in A-grade properties that we believe are more likely to attract and retain corporate tenants. Property investments constitute a significant area of BIFM's drive to develop the local economy and capital markets. BIFM's subsidiary, Khumo Property Asset Management, is a fully-fledged property development and management company.

Alternative investments – The alternative assets that BIFM invests in are private equity, private debt, and hedge funds. Alternatives are utilised where the risk-reward trade-off is believed to be superior. Examples are:

(a) Private equity is becoming a more important asset class globally. In the Botswana context, private equity is a progressive approach to investment management because it is a catalyst for economic development. BIFM invests in local, regional and global private equity funds.

(b) Specialised portfolios and insurance portfolios utilise private debt instruments for matching purposes. In Botswana, private debt is a substitute for listed debt instruments. Listed debt instruments are in short supply in Botswana.

(c) Offshore hedge funds are currently used as an alternative to offshore bonds given our bearish view on the prospects for offshore bonds.

Notes to the Financial Statements (Continued)

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below summarises categories of financial assets and financial liabilities held by the Group:

GROUP

31 December 2018	Financial assets held at fair value through profit or loss	Financial Assets at amortised cost	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Financial assets					**P'000**
Investment in unlisted property companies	294,132	-	-	-	294,132
Bonds (Government, public authority, listed and unlisted corporates)	8,031,912	-	-	-	8,031,912
Money market instruments	1,204,818	-	-	-	1,204,818
Equity investments	3,415,317	-	-	-	3,415,317
Policy loans and other loan advances	393,951	-	-	-	393,951
Insurance and other receivables	-	304,585	-	-	304,585
Cash, deposits and similar securities	-	112,844	-	-	112,844
Loans at amortised cost	-	50,000	-	-	50,000
Total financial assets	13,340,130	467,429	-	-	13,807,559
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	9,859,345	-	9,859,345
Long term policyholder liability - investment contracts	-	-	2,661,843	-	2,661,843
Related party balances	-	-	-	17,632	17,632
Insurance and other payables	-	-	-	393,813	393,813
Total financial liabilities	-	-	12,521,188	411,445	12,932,633
31 December 2017					
Financial assets					
Investment in unlisted property companies	244,021	-	-	-	244,021
Bonds (Government, public authority, listed and unlisted corporates)	7,585,630	-	-	-	7,585,630
Money market instruments	978,000	-	-	-	978,000
Equity investments	3,656,189	-	-	-	3,656,189
Policy loans and other loan advances	496,229	-	-	-	496,229
Insurance and other receivables	-	290,858	-	-	290,858
Cash, deposits and similar securities	-	184,254	-	-	184,254
Total financial assets	12,960,069	475,112	-	-	13,435,181
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	9,388,540	-	9,388,540
Long term policyholder liability -investment contracts	-	-	2,829,801	-	2,829,801
Related party payables	-	-	-	4,134	4,134
Insurance and other payables	-	-	-	364,724	364,724
Total financial liabilities	-	-	12,218,341	368,858	12,587,199

Notes to the Financial Statements (Continued)

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

COMPANY

31 December 2018	Financial assets held at fair value through profit or loss	Financial Assets at amortised cost	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
Financial assets					**P'000**
Other receivables	-	656	-	-	656
Related party balances	-	41,878	-	-	41,878
Cash, deposits and similar securities	-	63,504	-	-	63,504
Total financial assets	-	106,038	-	-	106,038
Financial liabilities					
Trade and other payables	-	-	-	23,295	23,295
Related party payables	-	-	-	26,152	26,152
Total financial liabilities	-	-	-	49,447	49,447
31 December 2017					
Financial assets					
Other receivables	-	2,414	-	-	2,414
Related party balances	-	54,391	-	-	54,391
Cash, deposits and similar securities	-	82,368	-	-	82,368
Total financial assets	-	139,173	-	-	139,173
Financial liabilities					
Trade and other payables	-	-	-	21,511	21,511
Related party payables	-	-	-	22,529	22,529
Total financial liabilities	-	-	-	44,040	44,040

27. BIFM CITIZEN ECONOMIC EMPOWERMENT SCHEME

BIHL an employee share scheme for the benefit of the employees of BIFM through the establishment of a Trust registered as a Deed of Trust signed on 18 December 2017 and Share Plan Scheme signed on 18 December 2017. A total 21,849,246 BIFM Shares, comprising 25.1% of the issued capital, have been reserved for the Share Scheme, which will be new shares issued by BIFM. The Fair Value of such shares has been determined by an independent external valuation exercise. Of the 15.1% of the Ordinary Shares issued by BIFM that was to be subscribed by its citizen employees under the Share Plan Scheme, 11% was allocated effective 1 February 2018 and the remaining 4 % balance of the shares was transferred to the Trust for future allocation.

The Trust was established for purposes of subscribing for 8,739,698 Ordinary Shares, representing 10.1% of the issued share capital in BIFM, to be held for the benefit of the citizen employees of BIFM.

28. EVENTS AFTER REPORTING PERIOD

28.1 DIVIDENDS DECLARED

There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto. The Directors have resolved to award a final dividend of 67 thebe (2017: 67 thebe) per share (gross of tax) and a special dividend of 16 thebe (2017: 35 thebe) per share (gross of tax).

Notice of Annual General Meeting

Notice is hereby given that the twenty-sixth Annual General Meeting of Botswana Insurance Holdings Limited will be held at Avani Conference Centre, Gaborone Botswana on 28 June 2019 at 16:00hrs for the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting.

2. Ordinary Resolution 1: Presenting the BIHL Annual Financial Statements
To present, consider and adopt the BIHL Annual Financial Statements for the year ended 31 December 2018, that have been distributed to shareholders as required, including the consolidated audited financial statements for the Company and its subsidiaries, as well as the auditors' and directors' reports.

3. Ordinary Resolution 2: Approval of dividends
To approve the dividends declared by the Directors on 15 August 2018 and 20 February 2019.

4. Ordinary Resolution 3: Re-election of directors
To re-elect Directors in accordance with the provisions of the Constitution of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:

a) Lt General Masire
b) A Roux
c) J Hinchliffe

Ordinary Resolution No 3.1 – Re-election of Lt General Masire as a Director

To re-elect Lt General Masire who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Lt General Masire (63)
Independent Non-Executive Director since 21 August 2015

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

BIHL Committee membership: None

Major external positions, directorships or associations: Founding member of the SADC Standing Aviation Committee, founding board member of the Civil Aviation Authority of Botswana (CAAB), Chairman of the Air Botswana board, Chairman of the Botswana Stock Exchange Limited board, board member of House Maintenance, board member of BelServest and THC Foundation. He is also a member of the Vision 2036 Council and Patron of Botswana Sports Foundation Trust.

Field of expertise: strategic leadership and public sector governance.

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.2 – Re-election of A Roux as a Director

To re-elect A Roux who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

Andre Roux (57)
Independent Non-Executive Director since 14 July 2013

Qualifications: B.Comm (hons) (Economics) from University of Stellenbosch and an EDP from Manchester Business School.

BIHL Committee membership: None

Major external positions, directorships or associations: Chief Investment Officer of Sanlam Emerging Markets in 2012 and Chief Investment Officer of Sanlam Investment Management Namibia

Notice of Annual General Meeting (Continued)

Field of expertise: Investments and Financial Management

The Board recommends the re-election of this Director.

Ordinary Resolution No 3.3 – Re-election of J Hinchliffe as a Director

To re-elect J Hinchliffe who retires by rotation in terms of Article 19 of the Constitution of the Company, being eligible and offering himself for re-election.

J Hinchliffe (62)
Non-Executive Director since 01 June 2010

Qualifications: BA (Econ) Honours degree from Manchester University; a Fellow of the Botswana Institute of Chartered Accountants (BICA); a Fellow of the Institute of Chartered Accountants in England and Wales.

BIHL Committee membership: Chairperson of the Audit Committee and Independence Review Committee of Botswana Insurance Holdings Limited

BIHL Group directorships: Chairperson of the Board of Botswana Life Insurance Limited and Legal Guard

Major external positions, directorships or associations: board member of Development Securities (Pty)Limited, board member of Nsenya (Pty) Limited, board member of Portion 84 Mokolodi Sanctuary (Pty) Limited, board member of Botswana Insurance Company Limited, board member of Mokolodi Utilities (Pty) Limited, board member of Kalahari Conservation Society and board member of Camphill Community Trust.

Field of expertise: Accounting; Financial Markets and Investment; General Business; and Risk Management

The Board recommends the re-election of this Director.

5. Ordinary Resolution 4:
To note the total amount of Non-Executive Directors and Executive Directors' remuneration for the financial year ended 31 December 2018.

To note the total amount of Directors' remuneration set out in the BIHL Annual Report, Non-Executive Directors' page 189 and Executive Director's page 189 and also included below for ease of reference.

During the year under review, total directors fees reduced due to a reduction in the number of meetings held for the BIHL board and some of the subsidiary boards. The directors' fee rates remain unchanged from prior year.

2018 Directors Fees For Approval

Name	Retainer	Board meeting	Audit & Risk Committee	HR Committee	Subsidiary Boards	Nominations Committee	Lead Independent Director	Investment Committee	Credit Committee	Total
B. Dambe-Groth	475,000	-	-	-	-	-	-	-	-	475,000
C. Chauhan	65,000	77,176	94,803	-	100,000	68,250	68,250	-	-	473,479
J. Hinchliffe	65,000	77,176	126,404	-	174,420	-	-	-	-	443,000
M. Mpugwa	65,000	77,176	-	56,700	100,000	-	-	116,226	134,126	549,228
Lt. General Masire	65,000	77,176	-	-	-	-	-	-	-	142,176
A. Roux	65,000	57,882	-	-	60,000	-	-	107,307	89,407	379,596
G. Hassam	65,000	77,176	-	56,700	80,000	-	68,250	-	-	347,126
G. van Heerde	65,000	77,176	287,644	-	80,000	-	-	-	-	509,820
Total	930,000	520,938	508,851	113,400	594,420	68,250	136,500	223,533	223,533	3,319,425

Notice of Annual General Meeting (Continued)

2017 Approved Directors Fees

Name	Retainer	Board meeting	Audit & Risk Committee	HR Committee	Subsidiary Boards	Nominations Committee	Lead Independent Director	Investment Committee	Credit Committee	Total
B. Dambe-Groth	475,000	-	n/a	-	-	-	-	-	-	475,000
C. Chauhan	65,000	96,470	126,404	n/a	125,000	68,250	68,250	-	-	549,374
J. Hinchliffe	65,000	96,470	126,404	n/a	218,025	n/a	-	-	-	505,899
M. Mpugwa	65,000	96,470	n/a	n/a	100,000	n/a	-	107,276	143,076	511,822
Lt. General Masire	65,000	96,470	n/a	n/a	n/a	n/a	-	-	-	142,176
A. Roux	65,000	96,470	n/a	n/a	100,000	n/a	-	143,076	107,276	511,822
G. Hassam	65,000	96,470	n/a	56,700	100,000	-	-	-	-	318,170
G. van Heerde	65,000	77,176	287,644	56,700	100,000	n/a	-	-	-	605,814
Total	930,000	655,996	540,452	113,400	743,025	68,250	68,250	250,352	250,352	3,620,077

6. Ordinary Resolution 5:
To approve the remuneration of the auditors for the year ended 31 December 2018.

7. Ordinary Resolution 6: Re-appointment of auditors
To re-appoint Ernst & Young, as nominated by the Company's Audit and Risk Committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company.

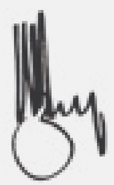
VOTING AND PROXIES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a member of the Company.

2. The instrument appointing such a proxy must be deposited at the registered office of the Company not less than 48 hours before the meeting.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the Board



Haig Ndzinge
Company Secretary

A shareholder/s is entitled to attend and vote at this Annual General Meeting is/are entitled to appoint one or more proxies (who need not to be shareholders of the company), to attend, speak and vote on behalf of the shareholder/s at the Annual General Meeting.

Proxy Form

To be completed by certificated shareholders with "own name" registration
For use at the Annual General Meeting to be held at 16:00hrs on 28 June 2019 at Avani Gaborone Hotel, Conference Centre, Botswana

I/We ________________________________ being a shareholder/s of Botswana Insurance Holdings Limited, holding ______________ number of shares hereby appoint:

1. ________________________________ or failing him/her,
2. ________________________________ or failing him/her,
3. the Chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Avani Gaborone Hotel, Conference Centre, on 28 June 2019, 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 2018			
2.	**Ordinary resolution number 2** - to approve the dividends declared by the Directors on 14 August 2018 and 20 February 2019			
3.	**Ordinary resolution number 3** - To re-elect Directors in accordance with the provisions of the Constitution of the Company. The following Directors retire by rotation at this meeting and, being eligible, offer themselves for re-election:			
	3.1 Lt. General Masire			
	3.2 Mr. Andre Roux			
	3.3 Mr. John Hinchliffe			
4.	**Ordinary resolution number 4** - to note the total amount of Non-Executive Directors and Executive Director's remuneration for the financial year ended 31 December 2018			
5.	**Ordinary resolution number 5** - to approve the remuneration of the auditors for the year ended 31 December 2018			
6.	**Ordinary resolution number 6** - to appoint auditors for the coming year to 31 December 2019			

Signed at ____________________ on the ______________ day of 2019

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 2018, together with the reports of the valuator and the auditors contained in this Annual Report.

Election of Directors
In terms of the Company's Constitution, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. The Constitution also provides that the appointment of any person as a director of the Company requires confirmation by shareholders at the first annual general meeting of the company after the appointment of such person as director.

Shareholders' Calendar Reporting

Financial year end	31 December
Announcement of financial year end 31 December 2018 results	06 March 2019
Annual report sent on or about	03 June 2019
Annual General Meeting	28 June 2019
Interim results published	04 September 2019

Dividends
2018 Final dividend payment 17 April 2019

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

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

3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Office Park Plot 66458, Gaborone or PO Box 336, Gaborone Botswana, or faxed +267 397 3657 for the attention of the company secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the Annual General Meeting (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.

6. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the shareholder concerned wishes to vote.

7. An instrument of proxy shall be valid for the Annual General Meeting as well as any adjournment thereof, unless the contrary is stated thereon.

8. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

9. At a meeting of shareholders a poll may be demanded by:

(a) not less than five (5) shareholders having the right to vote at the meeting; or

(b) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting; or

(c) a shareholder or shareholders holding shares that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10% of the total amount paid up on all shares that confer that right; or

(d) the chairman.

When a poll is taken, votes shall be counted according to votes attached to the shares of each shareholder present in person or by proxy and voting.