BIHL GROUP

Annual Report 2013

Strength in Numbers

BIHL GROUP Annual Report 2013

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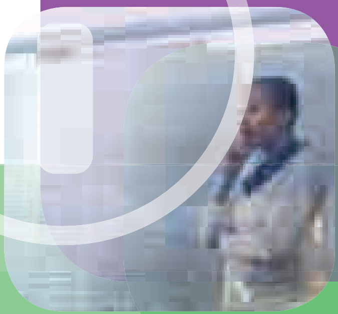
Introduction to the Group



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Review of operations

BIHL GROUP

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Sustainability

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CORPORATE INFO

Administration

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

Registered Office
Plot 50374 PO Box 336
Fairgrounds Financial Centre
www.bihl.co.bw
Tel: 370 7400
Fax: 397 3705

Transfer Secretaries
PricewaterhouseCoopers (Pty)
Limited
Plot 50371
Fairground Office Park
PO Box 294
Gaborone

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

Company Secretary
Topiwa Chilume

Statutory Actuary
Giles T. Waugh

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

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

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

BIHL Sure!
Plot 50374
Block 5: Fairgrounds Financial
Centre
PO Box 405744
Gaborone
Tel: 370 7400
Fax: 397 3638
www.bihlic.co.bw

About this report

At BIHL Group, we have a value (see page 23) that declares "Service Excellence" and another that says "Innovation". Without any doubt we believe this report speaks to these values. We are proud of our achievements and are humbled to be able to serve Botswana the way we do. We hope you find this report a pleasure to read. It is a reflection of who we are.

COMMITEES

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

REFERENCING

Available online | Page reference

SECTIONS

Introduction | Strategic Review | Review of Operations | Sustainability | Governance | Annual Financial Statements

OUR CORE BUSINESS

The BIHL Group

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

Life Insurance	**Botswana Life Insurance Limited** - 100%- Life insurance
Asset Management	**Bifm Holdings Botswana Limited -** 100% - Botswana Insurance Fund Management Limited (Bifm) 100%-Asset Management - Khumo Property Asset Management (Pty) Ltd- JV- 50%- Property Management - Photon Private Equity Management Company - 100%- Dormant - KYS Investment (Pty) Ltd- 62.9%- owns 20% via Gaborone Sun - Bifm Holdings & Financial Services Limited (Isle of Man)-100% - Quantum Assets Zambia Limited- 70% Property Development - African Life Financial Services (Zambia) Limited - 49%- Employee benefits **Bifm Unit Trusts (Pty) Ltd -** 100%- Retail collective investments
Short term Insurance	**BIHL Sure!** -100% - Short term insurance products
Others	- Genebase Holdings (Pty) Lmited 100%- Secured Loans - BLI Investments (Pty) Ltd- 100% - Letshego Holdings Limted- 23.36% - Micro- lending - Funeral Services Group- 33.97% - Funeral products - Botswana Life Properties (Pty) Ltd 100%- Dormant

01

Introduction to the Group 1

"BIHL's strategic goal is to become a broad-based financial services company offering a diverse range of products and services within Botswana and across the Southern African region." Gaffar Hassam GCEO BIHL.

BIHL GROUP

Welcome

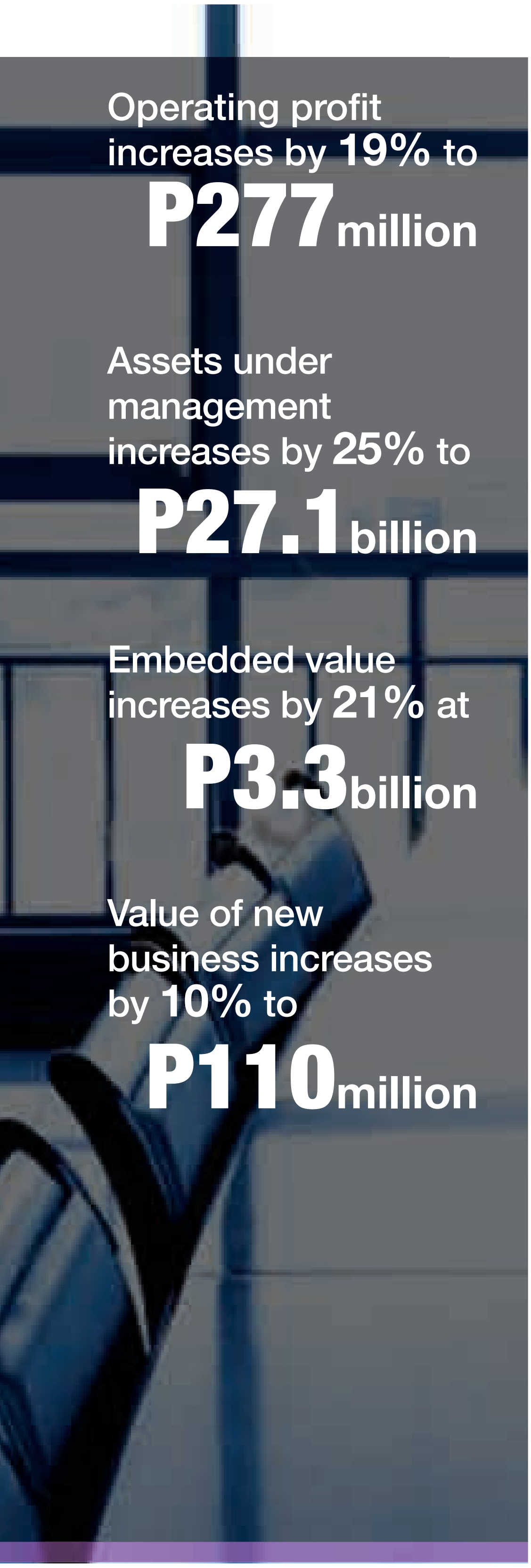
A warm welcome from the BIHL Group. In the following pages you will see the efforts and results of 370 dedicated employees. What we hope will be clear for all to see is that there is a clear desire and commitment to achieve and grow shareholder value at BIHL.

We believe that the key to our success is in our ability to embrace the potential in all our staff. Everyone of us here at BIHL Group contributes to the overall numbers. Thus we proudly live by the intonation “Strength in Numbers”.

As you peruse through this report you will see many numbers. For us watching the numbers carefully has become a way of life at BIHL Group. We will leverage off our Strength in Numbers with a view of increasing shareholder value.

We hope you enjoy reading this report which we are proud of.

GROUP FINANCIAL HIGHLIGHTS



Operating profit increases by **19%** to **P277** million

Assets under management increases by **25%** to **P27.1** billion

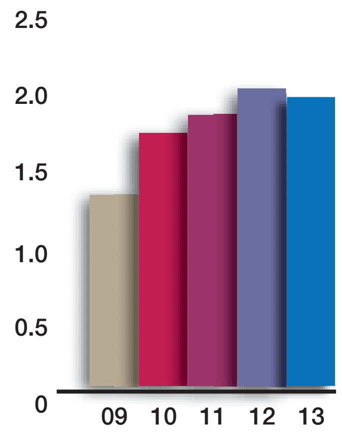
Embedded value increases by **21%** at **P3.3** billion

Value of new business increases by **10%** to **P110** million

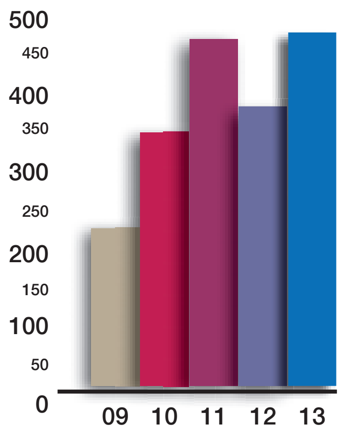
	2013 P million	2012 P million	% Change
Group summary			
Premium income (net of reinsurance)	1,886	1,950	(3%)
Value of new business	110	99	10%
Operating profit	277	233	19%
Total profit	579	394	47%
Assets under management	27,100	21,627	25%
Ordinary shareholders' equity	2,405	1,945	24%
Total assets	14,068	15,417	(9%)
Embedded value	3,260	2,701	21%
Productivity	**2013**	**2012**	
Operating expenses to premium income and asset management fees	14%	14%	
Selling expenses to premium income	11%	11%	
Shareholder investment returns to average shareholder equity	1%	1%	
Return on embedded value	24%	19%	
Solvency and liquidity	**2013**	**2012**	
Capital adequacy cover (times)- Life business	7.71	5.84	
Dividend cover on core earnings** (times)	3.15	1.72	
Ordinary share performance			
Basic earnings thebe per share	183	146	25%
Diluted earnings thebe per share	181	145	25%
Dividend thebe per share			
- interim	15	15	-
- final proposed- Normal	35	20	75%
Embedded value thebe per share	1,194	1,007	19%
Trading prices (thebe per share)			
closing price	1,055	1,035	2%
high	1,065	1,055	1%
low	1,023	976	5%
Price earnings ratio	5.78	7.09	(18%)
Domestic Companies Index (DCI)	9,053.36	7,510.24	21%
Number of shares in issue ('000)	281,071	281,071	-
Number of shares traded ('000)	23,329	5,509	323%
Market capitalisation (P million)	2,965	2,909	2%
Number of shareowners	2,922	3,014	(3%)
Earnings yield (%)	17.49	14.38	22%
Dividend yield (%)	4.55	3.18	43%

** Core earnings include operating surplus and shareholder investment income

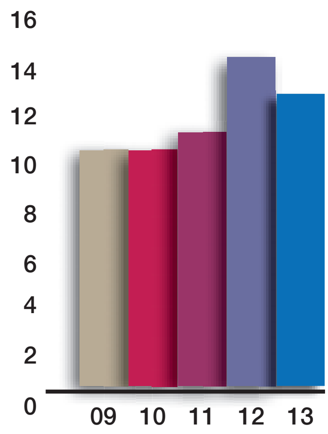
PREMIUM INCOME
Pula billion



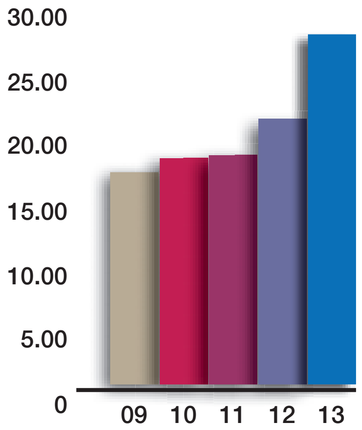
PROFIT AFTER TAX
Pula million



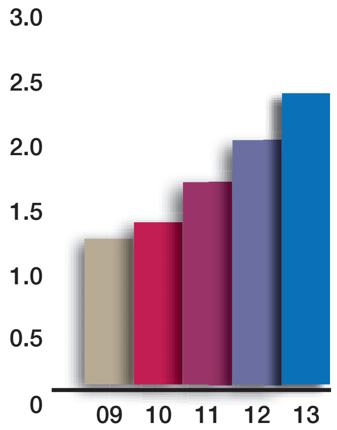
INVESTMENTS
Pula billion



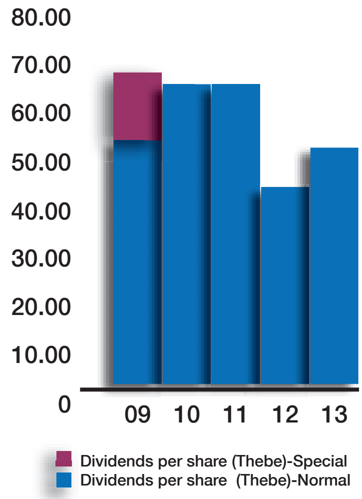
ASSETS UNDER MANAGEMENT
Pula billion



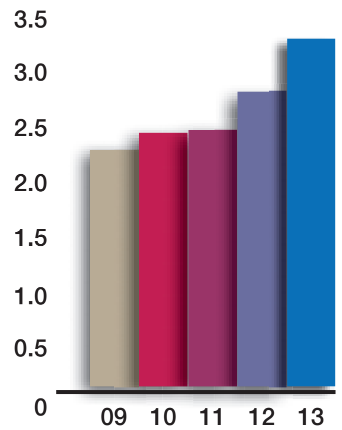
SHAREHOLDERS EQUITY
Pula billion



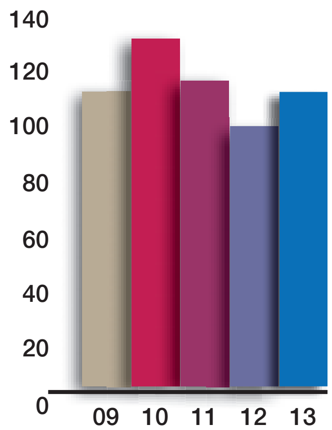
DIVIDENDS PER SHARE
Thebe



EMBEDDED VALUE
Pula billion



VALUE OF NEW BUSINESS
Pula million



TEN YEAR REVIEW

	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000
Group consolidated income statement			
Net premium income	1,886,445	1,949,585	1,767,046
- Recurring	923,070	887,972	877,636
- Single	963,375	1,061,613	889,410
Fee income	98,039	74,700	110,944
Fair value gains on investment properties	-	-	-
Investment income	595,111	628,915	749,577
Profit on sale of subsidiary	-	6,075	33,785
Net gains/(losses) from financial assets held at fair value through profit and loss	2,343,127	452,917	134,323
Total revenue	4,922,722	3,112,192	2,795,675
Net insurance and investment contract benefits and claims	(4,000,278)	(2,314,707)	(1,935,869)
Policyholder benefits paid	(1,059,738)	(904,175)	(907,459)
Change in liabilities under investment contracts	(1,719,987)	(383,646)	(400,986)
Change in liabilities under insurance contracts	(1,220,554)	(1,026,885)	(627,424)
Expenses	(532,252)	(508,636)	(465,265)
Selling expenses	(243,491)	(219,165)	(219,687)
Administration expenses	(288,761)	(289,471)	(245,578)
Goodwill impaired and amortised	-	-	-
Profit before share of profit of associates and oint venture	390,192	288,849	394,541
Share of profit of associates and joint venture	189,202	196,482	133,872
Profit before tax	579,394	485,331	528,412
Income tax expense	(84,621)	(90,936)	(57,083)
Profit for the year	494,773	394,395	471,330
Earnings per share (thebe)			
- basic	183	146	174
Gross dividends per share (thebe)	50	35	66
Weighted average number of shares in issue ('000)	269,779	268,110	265,812

Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000	Year to 31-Dec-06 P'000	9 mths to 31-Dec-05 P'000	Year to 31-Mar-05 P'000
1,620,513	1,253,413	958,636	791,281	678,983	450,647	527,492
754,096	682,577	565,313	447,885	371,750	255,517	297,406
866,417	570,836	393,323	343,396	307,233	195,130	230,086
137,249	120,623	121,308	110,316	81,466	51,429	40,420
-	-	8,768	80,682	23,221	-	-
470,190	479,984	463,214	604,233	490,223	117,186	330,021
-	-	-	-	-	-	-
(180,785)	1,002,835	(2,006,255)	1,178,752	1,823,525	1,498,082	327,219
2,047,167	2,856,855	(454,329)	2,765,264	3,097,418	2,117,344	1,225,152
(1,182,594)	(2,178,644)	1,012,143	(1,907,840)	(2,516,038)	(1,777,289)	(885,675)
(712,524)	(524,344)	(418,695)	(343,149)	(257,557)	(149,194)	(158,008)
(132,674)	(850,960)	1,534,843	(1,038,206)	(1,700,829)	(1,299,982)	(438,329)
(337,396)	(803,342)	(104,008)	(526,488)	(557,652)	(328,113)	(289,338)
(534,852)	(447,815)	(332,115)	(257,737)	(190,604)	(132,399)	(145,201)
(297,649)	(245,028)	(165,735)	(118,067)	(73,241)	(51,124)	(67,837)
(237,203)	(202,787)	(166,380)	(139,670)	(117,363)	(81,275)	(77,364)
-	-	-	-	-	-	-
329,721	230,397	225,698	599,687	390,776	207,656	194,276
72,217	26,821	9,802	4,001	2,304	3,083	(3,853)
401,938	257,217	235,500	603,688	393,080	210,739	190,423
(69,456)	(19,544)	(14,037)	(49,867)	(77,021)	(38,150)	(33,664)
332,482	237,672	221,462	553,820	316,059	172,589	156,759
122	87	77	205.81	119.2	65	62.1
66	77	56	56	42	27.5	27.5
263,979	261,967	262,567	259,519	259,833	259,291	252,616

TEN YEAR REVIEW (CONTINUED)

	As at 31-Dec-13 P'000	As at 31-Dec-12 P'000	As at 31-Dec-11 P'000
Group consolidated statement of financial position			
Property and equipment	20,827	10,911	12,561
Intangible assets	150,898	154,001	146,735
Investments	13,033,189	14,281,694	11,111,149
Trade and other recievables	282,154	209,723	209,360
Cash deposits and similar securities	580,674	760,539	1,248,600
Total assets	14,067,742	15,416,868	12,728,405
Ordinary shareholders' equity	2,405,401	1,944,961	1,690,795
Non-controlling interest	34,912	33,651	36,050
Policyholder liabilities	11,123,239	12,966,214	10,587,045
- insurance contracts	6,809,709	5,592,069	4,573,612
- investment contracts	4,313,530	7,374,144	6,013,433
Deferred tax liability	23,790	17,939	12,726
Trade and other payables	480,400	454,103	401,789
Total equity and liabilities	14,067,742	15,416,868	12,728,405

	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	Year to 31-Dec-11 P'000
Group statement of cash flows			
Cash (utilised in)/generated from operating activities	(4,427,313)	1,609,916	(85,378)
Interest received	453,687	329,167	425,096
Tax paid	(94,206)	(106,695)	(69,253)
Dividends received/(paid)	96,202	13,789	65,353
Cash flow from operating activities	(3,971,630)	1,927,177	335,818
Cashflow from/(utilised) in investing activities	3,791,760	(2,415,238)	(463,446)
Net cash flows (utilised in)/generated from financing activities	-	-	-
Net (decrease)/increase in cash and cash equivalents	(179,865)	(488,061)	(127,628)
Cash and cash equivalents at the beginning of the year	760,539	1,248,600	1,376,228
Cash and cash equivalents at the end of the year	580,674	760,539	1,248,600

Operating profit increases by **19%** to **P277 million**

Assets under management increased by **25%** to **P27.1 billion**

As at 31-Dec-10 P'000	As at 31-Dec-09 P'000	As at 31-Dec-08 P'000	As at 31-Dec-07 P'000	As at 31-Dec-06 P'000	9 mths to 31-Dec-05 P'000	Year to 31-Mar-05 P'000
15,854	18,487	16,890	13,962	20,666	43,873	47,527
140,782	82,622	79,821	16,337	14,649	15,610	16,632
10,428,159	9,648,070	7,880,357	10,015,626	8,876,477	6,767,586	5,390,907
206,991	218,458	165,689	65,764	62,004	91,281	78,862
1,376,228	1,414,988	1,384,478	672,170	255,198	7,287	7,234
12,168,015	11,382,626	9,527,235	10,783,859	9,228,994	6,925,637	5,541,162
1,374,259	1,261,805	1,331,035	1,317,057	849,136	644,588	506,506
31,588	35,042	31,095	55,006	21,172	17,723	13,051
10,311,402	9,762,230	7,819,021	9,129,979	8,140,007	6,114,114	4,882,945
3,957,129	3,633,013	2,817,683	2,683,973	2,157,459	1,599,913	1,287,454
6,354,273	6,129,217	5,001,338	6,446,006	5,982,548	4,514,201	3,595,491
19,050	21,090	49,760	70,246	50,664	17,494	13,785
431,716	302,459	296,324	211,571	168,015	131,718	124,875
12,168,015	11,382,626	9,527,235	10,783,859	9,228,994	6,925,637	5,541,162

Year to 31-Dec-10 P'000	Year to 31-Dec-09 P'000	Year to 31-Dec-08 P'000	Year to 31-Dec-07 P'000	Year to 31-Dec-06 P'000	9 mths to 31-Dec-05 P'000	Year to 31-Mar-05 P'000
937,655	2,123,616	(1,109,328)	1,184,913	106,098	134,266	15,157
45,502	35,115	74,364	45,495	32,502	85,280	164,903
(59,179)	(40,263)	(46,656)	(44,276)	(50,044)	(32,153)	(21,838)
(205,307)	(240,246)	(157,220)	(152,840)	(88,610)	(48,438)	(68,922)
718,671	1,878,222	(1,238,840)	1,033,292	(54)	138,955	89,300
(757,432)	(1,847,712)	1,951,148	(616,320)	(954,666)	(138,470)	(89,455)
-	-	-	-	-	(432)	1,124
(38,761)	30,509	712,308	416,972	(954,720)	485	(155)
1,414,988	1,384,479	672,170	255,198	1,209,918	7,234	6,265
1,376,228	1,414,988	1,384,478	672,170	255,198	7,287	7,234

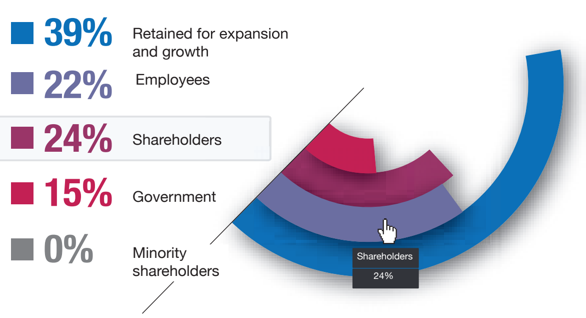
Embedded value increases by **21%** at **P3.3billion**

Value of new business increases by **10%** to **P110million**

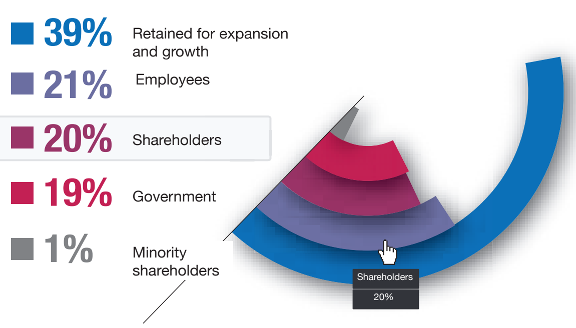
VALUE ADDED STATEMENT

	31 Dec 2013 P'000	31 Dec 2012 P'000
Value Added		
Income from operations	2,171,384	1,898,142
Operating expenditure	(532,252)	(508,636)
Policyholder benefits paid	(1,059,738)	(904,175)
	579,394	485,331
Value Distributed		
To employees		
Salaries, wages and other benefits	125,975	102,704
To ordinary shareholders		
Dividends- Normal	140,535	98,375
To minority shareholders	2,273	3,477
To Government		
Taxation	84,621	90,936
To expansion and growth		
Reinvested in the business for future growth	207,213	173,604
Amortisation	8,307	6,423
Depreciation	4,458	4,392
Deferred taxation	6,011	5,420
	225,989	189,839
	579,394	485,331
Summary		
Employees	22%	21%
Shareholders	24%	20%
Minority shareholders	0%	1%
Government	15%	19%
Retained for expansion and growth	39%	39%
	100%	100%

Value added distribution 2013



Value added distribution 2012



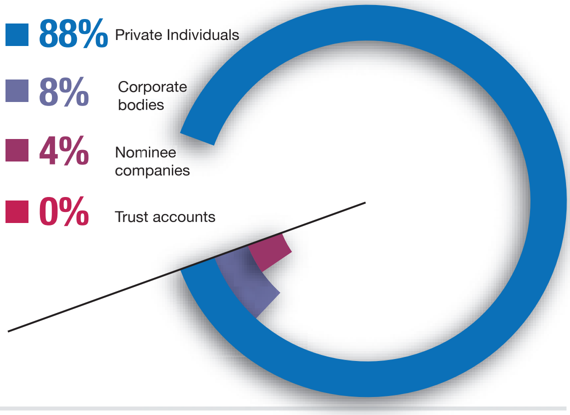
SHARE ANALYSIS - ORDINARY SHARES

	SHAREHOLDERS		SHARES HELD	
	Number of holders	% of holders	Shares held	% of issued shares
1- 5,000	2,229	76.28%	2,186,193	0.84%
5,001-10,000	253	8.66%	1,765,596	0.70%
10,001- 50,000	307	10.51%	6,585,740	2.57%
50,001-100,000	37	1.27%	2,671,146	0.97%
100,001- 500,000	63	2.16%	14,275,929	6.26%
500,001 - 1,000,000	13	0.44%	8,007,451	3.19%
OVER 1,000,000	20	0.68%	245,578,597	85.47%
Total	**2,922**	**100.00%**	**281,070,652**	**100.00%**

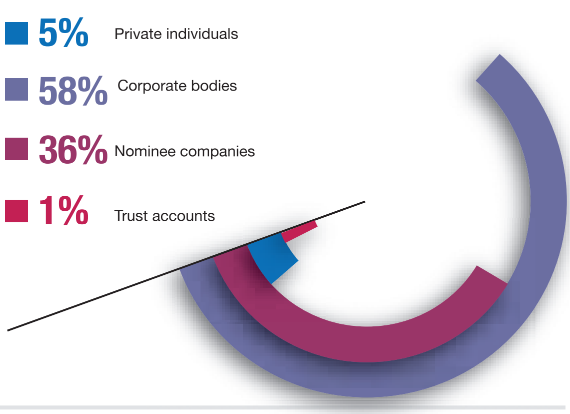
Top ten shareholders		
SANLAM DEVELOPING MARKETS LIMITED	100,978,319	35.93%
AFRICAN LIFE ASSURANCE COMPANY (BOTSWANA)(PTY) LTD	48,603,380	17.29%
FNB BW NOMS(PTY) LTD RE: IAM BPOPFP 10001031	16,403,266	5.84%
FNB NOMS BW(PTY) LTD RE:FAM BPOPF1-10001028	15,176,107	5.40%
FNB NOMS BW(PTY) LTD RE:BIFM BPOPF ACTIVE 10001025	12,965,514	4.61%
FNB NOMINEES (PTY)LTD RE:CFM BPOPF10001011	12,362,035	4.40%
MOTOR VEHICLE ACCIDENT FUND	10,735,164	3.82%
SCBN (PTY) LTD RE: SANLAM EMERGING MARKETS BW0000016225	7,555,556	2.69%
STANBIC NOMINEES RE: BIFM	6,404,996	2.28%
OTHERS	49,886,315	17.75%
	281,070,652	100.00%

	SHAREHOLDERS		SHARES HELD	
Category	Number	%	Number	%
Corporate bodies	229	7.84%	164,111,391	58.39%
Nominees companies	102	3.49%	99,787,398	35.50%
Trust accounts	4	0.14%	1,745,257	0.62%
Private individuals	2,587	88.54%	15,426,606	5.49%
	2,922	**100.00%**	**281,070,652**	**100.00%**

Breakdown of shareholders 2013



Breakdown of shares held 2013



THEME

Buzzwords: reflective, light, white, life, purity, transparency

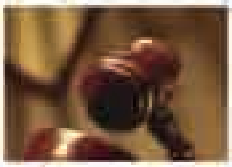
the BIHL rebrand saw an introspective look at the entire BIHL Group of companies, thus giving way to the Strength in Numbers philosophy and pay off line. The Group leverages off its collective pool of knowledge expertise, resources, a strength in customer support, and, indeed, off the various subsidiaries of the BIHL Group: Botswana Life, Bifm and BIHL Sure!

BIHL is a proudly Botswana, proudly African business. As a listed entity with a great heritage and legacy, it empowers Batswana to help Batswana, be it through the businesses or the BIHL Trust. It, in essence, encourages us, as a community collective and as individuals, to look within ourselves and reflect on who we are, where we want to be, and how we can play a part in building a better Botswana.

It is with this background, this fundamental concept of having the courage to look at oneself as a person and as a business, that we arrived at the theme for the 2013 Annual Report for the Group: **Reflection**. When you look at BIHL Group, we would like for you to look at yourself as a part of it. The Group, in turn, constantly looks within itself, to enhance its ability to draw from the collective strength of brands to deliver world-class solutions to its clients. This sees the use of reflective surfaces within the report itself, and photoshoots bringing out that sense of introspection and reflection, both figurative and literal. We also ensured, however, another spin on this concept of reflection and mirroring, in showing that at the heart of BIHL Group's philosophy and corporate culture is people. We want to engage our people, be it employees, regulators, clients or the general public, so that our recognition of them is made evident in the Annual Report. This report is as much a victory in the BIHL story for the Group as it is for Batswana.

Thus, from the content to the design, throughout the report you will see stylistic nuances that show a depth of reflection, a sense of interaction and engaging through the concept of refection; communication through the visual. It is the BIHL story, a story not simply about those employed by BIHL but by the entire nation that has become part of the BIHL family in some way.

Our Milestones

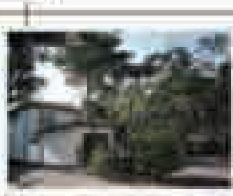


1975

April: 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.

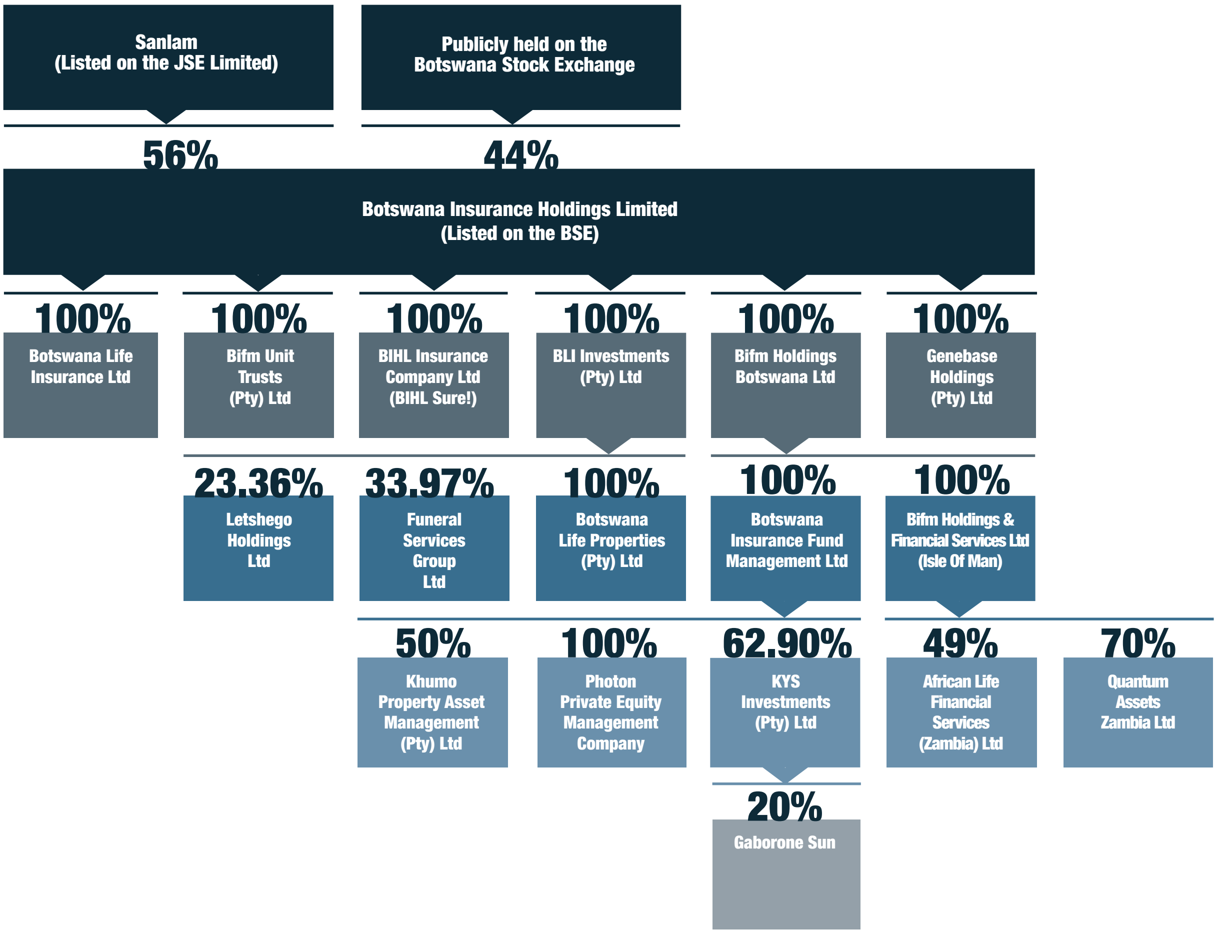
1991

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

STRUCTURE

Who we are

Botswana Insurance Holdings Limited (BIHL) is a broad based financial services group and one of the largest companies listed on the Botswana Stock Exchange. Its two largest subsidiaries, Botswana Life Insurance Limited and Botswana Insurance Fund Management (Bifm) hold dominant positions in their respective sectors. In line with its diversification and value enhancement strategy, BIHL introduced BIHL Sure!, the short term insurance business in 2012 (see more on P88). With this strategy in mind, BIHL is a significant shareholder in Letshego Holdings Limited and Funeral Services Group Limited (FSG). The majority shareholder of BIHL with 56% is Sanlam Limited, a multifaceted financial services company that has a broad and significant footprint in Africa. The remaining 44% is held by Botswana citizen entities. In addition to being a financial services provider, BIHL saw it fit to develop a social investment arm that would give back to Botswana communities through the BIHL Trust. BIHL Group contributes 1% of post tax profit to the BIHL Trust and through this social investment organ, BIHL is devoted to promoting self sufficiency and sustainable upliftment of disadvantaged communities in Botswana (see more on P116 to 121).

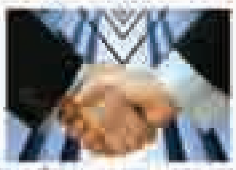


19 93

November: BIHL acquires control of IGI Botswana Holdings Limited, which is delisted and restructured into BIHL which continues to handle short-term and long-term insurance.

19 93

December: BIHL shares rise to P0.32 - a 46.5% increase on the listing price.



19 95

African Life acquires a major shareholding in BIHL from Southern Life and Botswana Development Corporation.

19 99

In conjunction with the Botswana Accountancy College, 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

BIHL STRATEGY

Focusing on the five pillars

"BIHL's strategic goal is to become a broad-based financial services company offering a diverse range of products and services within Botswana and across the Southern African region," Gaffar Hassam GCEO BIHL. By focusing on our five pillar strategy, we have achieved market-leading growth and have sustained the BIHL Group as a profitable company, with a healthy capital position, that is well placed to withstanding market volatility and sustaining its performance over the long term.

The keystone of our Strategy is to leverage the collective muscle of our industry leading brands. Thus our brand identity speaks to this with our tag line proclaiming: "Strength in Numbers".

The five pillars that make up our strategy are:

1. Market Share Protection & Growth

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

New product offering and improved service focus lead to greater customer retention during the year. See page 88 for more

2. New Investments

BIHL intends to utilise available capital to stimulate growth through the identification of new opportunities in the wider financial services sector in Botswana.

Note: Existing investments (Letshego, FSG) contributed significantly to group's profitability. Refer to page 39.

3. Group Synergies

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

Note: Refer to page 95.

Our Milestones

With the development of the Group's local information and actuarial systems. BIHL becomes the first company in Botswana to report on the embedded value performance. This brings the Group in line with leading world accounting reporting.

2000

Botswana Life invests in Funeral Services Group to extend service to policy holders and their families at the time when they most need assistance. Bifm expands into Zambia.

2001

Botswana Life introduces extended family funeral benefits and the option of automatic premium and benefit increases to counter inflation. Botswana Life launches Khumo 2016, which offers a savings benefit and the ability to select additional risk benefits as required. The product matures in 2016 to support the government's plans to commemorate the country's 50th anniversary.

2004

Bifm unveils its new corporate identity and a definitive positioning statement, "Dynamic Wealth Management".

2005

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

Our roots

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

Our vision

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

What we do

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

Our values

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

4. Operational Efficiencies

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

Note: Technological enablement was a major focus in both established and newer businesses for improved efficiency and enhanced service. Refer to page 102.

5. People

Being in the service industry, the size and profitability of this group to date is reflective of the human capital strength that exists at BIHL. Staff is viewed as critical to the required success.

See more about how people are at the heart of our business on page 98.

Go online for more details
www.bihl.co.bw

2006

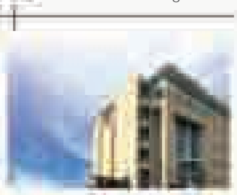
BLIL launched three new products - Mmoloki, Motlhokomedi and a Mortgage Protector Plan.

2007

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

2008

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



BIHL STRATEGY

Alignment with the Strategy

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

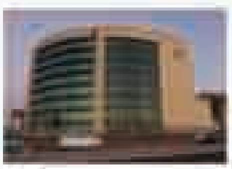
Diversifying Our offerings

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

- **The Group remains committed to its strategic aspiration to become a broad based financial services group, participating in various areas of the financial services sector**
- **Results of the strategic focus by management in 2013 is visible in the financial performance of the business with the impressive performance**
- **Besides the financial growth achieved, BIHL successfully launched several programmes and initiatives that will go a long way in attaining future growth. A few notable areas during the year include:**

- Introduction of the Unit Trust business; this relatively new operation has started showing signs of positive growth with the support of Bifm, our asset management business, and the rest of the BIHL Group
- The investment in Letshego several years ago continues to show dividends as profits from this business contributed positively to the BIHL Group during the year
- Shareholding in FSG, a critical partner to the group, was increased to 34%, positively impacting our profitability
- Focus on Bancassurance relationships with partners such as BancABC, Letshego and Standard Chartered. Through the relationship with BancABC, the life business launched the Life Rewards Visa loyalty cards with an impressively high uptake by clients
- The business leveraged the investment in technology over the last few years to improve our client focus
- By carefully managing costs, across the group the business has been able to manage profitability

Our Milestones

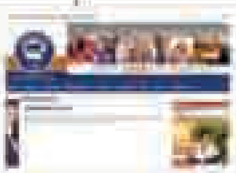


2009

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

2009

In this year BLIL also launched the Bancassurance distribution channel.



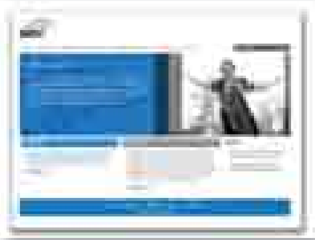
2010

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

2010

Appointment of Botswana Life CEO Catherine Lesetedi-Letegele and Bifm CEO Tiny Kgatlwane.
BIHL acquired Legal Guard from Letshego Holdings in order to expand into the short-term insurance arena.

2013



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

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

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

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

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

2011

Mr. Gaffar Hassam was appointed to the position of Group Chief Executive Officer effective on the 1st December 2011.

2011

Mr. Hassam has been a key part of the Executive team which crafted BIHL's new strategic direction to be a broad based financial services provider. As part of this strategy, he has successfully facilitated the purchase and integration of Legal Guard into BIHL. For a brief period before his appointment Hassam executed the functions of Group CEO in an acting capacity.

BIHL GROUP

2012

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

BIHL GROUP IN ACTION

2013 was a very busy year for the Group. It has always been our objective to play an active role in the nurturing and maintaining of all our stakeholder relationships. This was clearly demonstrated in the year under review with "all hands on deck" across the Group. This, coupled with the various products we rolled out in 2013, resulted in many notable moments.

Emerging Markets guru a key partner of Bifm

Bifm had the pleasure to welcome and host Templeton Emerging Markets Group's Executive Mark Mobius. Currently, Dr Mobius directs analysts based in Franklin Templeton's 18 emerging markets offices and manages emerging market portfolios. Franklin Templeton has been in business with Bifm for over 10 years as one of the company's offshore managers. When Bifm began investing in the Emerging Markets a couple of years ago, Dr. Mobius took to the management of these funds. His visit to Botswana was a part of the offshore manager's mandate, which includes visiting Botswana to give an update to the Bifm Investment Committee on the Bifm investments under Franklin Templeton's management.

Dr. Mobius has extensive experience in the industry, having spent more than 40 years working in emerging markets all over the world. He joined Franklin Templeton in 1987 as President of the Templeton Emerging Markets Fund, Inc. In 1999, he was appointed Joint Chairman of the Global Corporate Governance Forum Investor Responsibility Taskforce of the World Bank and Organisation for Economic Cooperation and Development.

Dr. Mobius holds a Bachelor and Masters degrees from Boston University, and a Doctor of Philosophy (Ph.D) in Economics and Political Science from the Massachusetts Institute of Technology. He is the author of the books Trading with China, The Investor's Guide to Emerging Markets, Mobius on Emerging Market, Passport to Profits, Equities - An Introduction to the Core Concepts, to mention but a few. Dr Mobius boasts one of the highest profiles of any investor in the region and is regarded by many in the financial industry as one of the most successful emerging markets investors over the last 20 years. Despite tough times during the financial crisis nine years ago, he still commands a strong following in the investment world and continues to influence the direction of billions of investment dollars.

Itireleng Junior Secondary

BIHL SURE! demonstrated their Group pledge on 6th September 2013 in Lobatse at Itireleng Junior Secondary School donating P10,000 worth of books.

This was during the school's annual prize giving ceremony which aims to reward recognise and motivate students who have excelled in the various areas of school life such as academics and extra-curricular activities. As an industry leader BIHL Group sees the need to educate and sensitise the general public about insurance, how it works and how to use it to one's benefit. BIHL Sure!, as part of the BIHL Group, subscribes to the BIHL Trust 's interests in education and aims to play an active role in the development of the country's future.

It is always an excellent investment to support the potential leaders of tomorrow, and the students who hold the future of Botswana in their hands and this prove to be the perfect example. The event was closed off by the awarding of prizes to excelling students in the different disciplines and announcement by the school head to continually improve on their current pass rate of 91.6%.

Marina paediatric ward benefits from BIHL Trust Boxes of Love

Members of the BIHL team spent time at the Princess Marina Hospital paediatric wing for the BIHL Trust "Boxes of Love campaign." Living true to the Trust's dedication towards uplifting young children, each staff member "adopted" a child for the day and was tasked with putting together a "Box of Love" containing an assortment of gifts deemed to be perfect for the child.

Over 110 "Boxes of Love" were shared with 110 children from the paediatric ward.

A customised "Box of Love" was then curated, including toys and trinkets deemed perfect for the particular child, both gender and age appropriate.

The 40 members of staff gifted 40 boxes, inclusive of gifts, of their own accord, with BIHL sponsoring the remaining boxes and gifts. Staff from BIHL set aside time from regular working hours to spend time with the children, share the gifts, a meal and enjoy the festive atmosphere within the ward.

BIHL GROUP IN ACTION (CONTINUED)

Offshore Managers Conference 2013

Bifm hosted the 6th annual Offshore Managers Conference, a platform which was introduced in order to offer clients and key stakeholders an appreciation of offshore managers' strategies. This year's Conference saw a focus and exploration of the global themes that have a bearing on client investments. The Conference aims at providing a platform for offshore managers to explain global market conditions and the backdrop against which international investment portfolios and funds were managed, sharing experiences and updating trustees on their businesses. This year's Conference was held with Bifm's appointed offshore partners in attendance, including: Franklin Templeton Investments and Sanlam International Investments. Additional partners included Mondrian Investment Partners Limited for Emerging Market Equities and Sanlam Investment Management for South African Equities (emerging markets).

BIHL sends Botswana journalists to Sanlam Summer School for Financial Journalists

BIHL sent two business journalists to the annual Sanlam Summer School for Financial Journalists which took place in Pretoria, South Africa. The Summer School was Sanlam's response to the King II Report on Corporate Governance in 2003 that called on the private sector to assist in the training of financial journalists to develop investigative journalism for the improvement of corporate governance. Over the years, the Summer School has contributed to the skilling of and improved levels of knowledge for entry level business journalists. This is the first year that Botswana media have attended the Summer School, with Portia Nkani (Botswana Gazette) and Victor Baatweng (Weekend Post; currently Sunday Standard) attending courtesy of BIHL Group, in a bid to enhance their financial reporting skills.

LifeRewards card launched

Botswana Life launched the innovative LifeRewards card on 25 June 2013, the first of its kind in Botswana. Claim payments and benefits can be loaded directly onto the card, which is underwritten by BancABC and supported by Visa.

The card can then be used in the same way as a debit card, with a built-in loyalty programme for shopping at selected merchants. It is an alternative payment mode to cheques and electronic funds transfer. "We are excited to be launching this unique product. It is one way in which we're positioning ourselves to be the benchmark life insurer by 2014.

LifeRewards affirms our position in the market and demonstrates our commitment to continue setting the trend for the benefit of our clients and shareholders," said Botswana Life CEO Catherine Lesetedi-Letegele.

The card can be reloaded with amounts of up to P50 000 and can be used at ATMs, point of sale devices, and for online shopping. Partners include Avis, BIHL Sure!, Seabelo's Transport, Sefalana Cash and Carry, Shoppers and Sefalana Hyper.

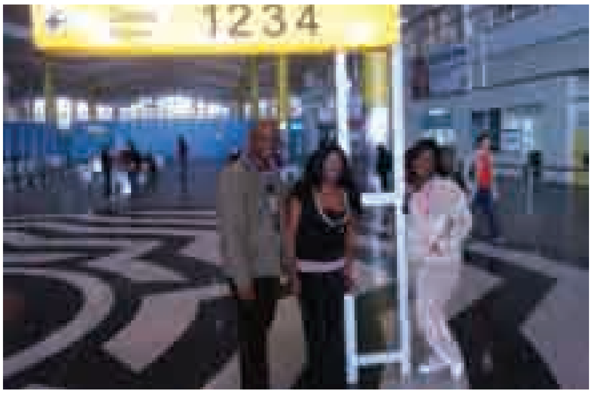
Double Nod for BIHL Group Annual Report

Adding to a brimming treasure chest of industry nods, BIHL Group saw another big win at the 2013 PricewaterhouseCoopers (PwC) Best Published Corporate Report and Accounts Awards. The event saw BIHL Group receive accolades for 'Best Overall Annual Report 2012' and 'Best Annual Report Financial Sector 2012.' Years passed have seen BIHL attain a number of prestigious awards from PwC, with the BIHL Annual Report winning awards as the 'Best Overall Annual Report 2005' and 'Best Annual Report Financial Sector 2005, 2006, 2008.' The Awards, now in their 23rd year, aim to encourage Botswana's business community to improve the standard of financial reporting through benchmarking and adoption of best practice.

BIHL GROUP IN ACTION (CONTINUED)

Bifm Launches Unit Trusts

Bifm proudly expanded its product portfolio with the introduction of Unit Trusts. This comes as part of Bifm's dedication towards making investments available to all Batswana through affordability and convenience. Unit Trusts afford retail investors the opportunity to pool their money together with other investors with similar objectives. This pool of money is managed by experienced investment managers of different assets in financial markets. These include a wide range of local and international equities, bonds, property and money market instruments. Diversification within unit trusts allows the risk to be spread across a range of assets which will provide better protection than placing it all in one area of the financial market. Unit Trusts can help increase an individual's income, capital growth or both.



Top sales agents win a trip to Boston

Botswana Life's top-selling direct intermediaries won a six-day all-expenses-paid trip to Boston, USA, to attend the Advanced Sales Forum from 5 to 7 August 2013. Created for advanced sales professionals, the Forum provided advice from industry leaders with unique expertise in life insurance. It was organised by international research organisation LIMRA, of which Botswana Life is an affiliated member. Semponye Sebele, from Maun, and Akanayang Kenalemang and Omo Amstel Molemi, both from Francistown, were declared the winners, based on their performance against targets during the 2012 financial year.

Certificate of Proficiency

About 20 insurance agents from Gaborone, Lobatse and Jwaneng graduated for Certificate of Proficiency (COP) Alternative in the year 2013. Alternative COP equips the agents to have the necessary basic information about the products they sell in the Legal Insurance Industry. It helps them to know how to deal with clients. It also teaches them to be transparent with the information they are providing to clients. COP pushes confidentiality and honesty, which align the Group and those of the the prudential rules under the guidance of NBFIRA.

Runners congregate for Botswana Life Classic Run

Botswana Life partnered with the Gaborone Racing Club to host the Classic Run, formerly known as the Up Kgale Marathon, on Sunday 15 September 2013 the 24th year the race has been held. Botswana Life's sponsorship of P100 000 demonstrates its commitment to sports development, and enabled better logistics and prize money.

Godiraone Nthompe was the overall winner, with a time of 29:49:50. Some 500 runners turned out on the day, compared to an average of 200 participants in previous years. In previous years, participants have included some of Botswana's best athletes, including Ndabili Bashingili, Kabo Gabaseme and Terence Bakwena.

"Botswana Life is very proud to have supported this race for more than 20 years now, and our commitment is to continue doing so. In 2012, we rebranded the race from what was known as the Up Kgale Marathon, to the Botswana Life Classic Run. We wanted to keep it fresh and relevant for athletes and supporters alike. We plan to continue to grow this race so that it is on par with other popular races locally," said Botswana Life's CEO, Catherine Lesetedi-Letegele.

BIHL GROUP IN ACTION (CONTINUED)

Sanlam Emerging Markets hosts top achievers

Sanlam Emerging Markets (SEM) invited 20 of Botswana Life Insurance's top performing agents and sub-agents from both Individual Life and High Value Brokers to an evening of jazz. The event was hosted in Johannesburg, South Africa on 15 November 2013 and staged some of the country's finest musical talents. As a way of celebrating their winnings, the individuals were treated to an all expenses paid trip to the event.

This was in recognition of their sterling performances over the past few months in achieving and surpassing set targets for both number of cases, and Annual Premium Income. The setting provided for an informal evening to network and meet some of their counterparts from across SEM, share ideas and industry experiences over dinner. The top achievers were serenaded by a diverse mix of contemporary jazz, afro-pop, kwaito and elevating Cuban rhythms from the golden Sophiatown era.The line-up included: Mi Casa, Lindiwe Maxolo and DJ Trinity – live at the iconic Turbine Hall in Newtown, Johannesburg.

Partnering to bring libraries to eight primary schools

As part of the on-going Adopt-A-School initiative to which BIHL Group has pledged its unwavering dedication, the Group has, through the BIHL Trust, officially handed a library at Kuke Primary school.
Kuke Primary School is the 6th school to be adopted by the BIHL Trust, with a total spend of P 600 000 spent so far. The new library was officially handed over in the presence of Honourable Minister Johnny Swartz, Minister of Infrastructure, Science and Technology and Kgosi Nxhogae of Kuke Village.

BIHL Group Sponsors Gaborone Steinmetz Marathon

For the 3rd year running BIHL Group has been sponsoring its staff members to participate in the Gaborone Steinmetz Marathon, the biggest charity running event in Botswana.

The race is a qualifier for both the IAAF World Athletic Championship and Comrades and it attracts international athletes from across Africa. BIHL staff ran the 42.2km, 21.1km, 10km and 4km Fun Run/Walk routes which went through the central parts of Gaborone city.

The registration fees for the marathon go towards worthy charities like Bana Ba Metsi, Lady Khama Charitable Trust and many more. In 2013, BIHL sponsored the registration fees for 154 runners.

Gamodubu Child Care Trust

Gamodubu Child Care Trust is a centre for orphaned and vulnerable children who are mostly also living with HIV and AIDS. The Centre offers an out of school program that includes, but is not limited to feeding and also ensuring the children take their medication and have access to regular check-ups.

The BIHL Trust continues to support the Gamodubu Child Care Trust in its daily activities and its projects.

The construction of the BIHL Trust sponsored a Multi-Purpose hall commenced in early 2013 and was completed in November 2013. The total cost of the construction of the hall was P2.1 million. The hall was officially handed over to the community of Gamodubu by the Honorable Minister of Local Government and Rural Development, Ms. Botlogile Tshireletso.

Strength in Numbers

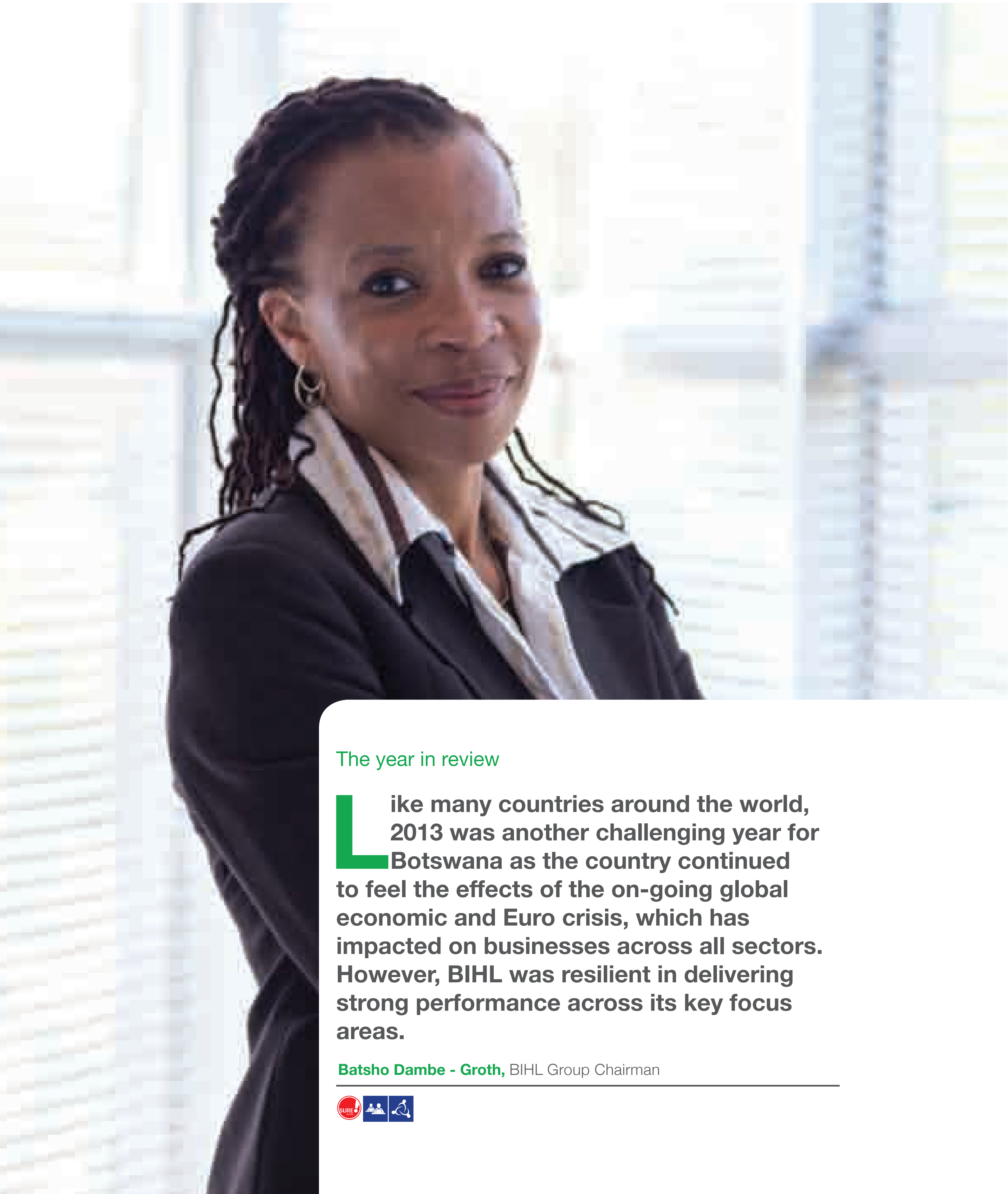
At BIHL Group, nothing is beyond review. In our herd nothing is sacred, nothing is immune from reassessment for relevance and alignment to market and shareholder expectation.

We are, however, not an organisation that makes changes for change sake. We are deliberate and calculated in our approach to strategy. We have guided the Group via a five pillar framework that we believe has stood the test of time over the years and most evidently in the year under review. With our core approach being to leverage wherever possible our "Strength in Numbers" BIHL Group is certainly in a very good place at the moment with a great future ahead of us.

02

Strategic review

GROUP CHAIRMAN'S REPORT



The year in review

Like many countries around the world, 2013 was another challenging year for Botswana as the country continued to feel the effects of the on-going global economic and Euro crisis, which has impacted on businesses across all sectors. However, BIHL was resilient in delivering strong performance across its key focus areas.

Batsho Dambe - Groth, BIHL Group Chairman

Profit After Tax increased by 25% to

P495 million

from P394 million

In the year under review

50 thebe

was the total dividends declared per share

Domestic GDP grew 5.9 percent as at September 2013 and although this was slightly higher than the 4.9 percent for the half year ending June 2013, it was still below the levels recorded in the previous years.

Botswana's Pula appreciated further against neighbouring South Africa's Rand while inflation closed the year at 4.1 percent. Though this remained within the Bank of Botswana's target range of 3-6 percent, the development placed pressure on consumers' disposable income affecting spending. With risk cover being by nature, a grudge purchase for customers, the changes add pressure on the insurance industry.

Despite these challenges, BIHL Group had an outstanding year. Profit After Tax increased by 25% to P495 million while embedded value increased by 21 percent to P3.3 billion. We have also declared a final dividend of 35 thebe per share, in addition to the interim dividend of 15 thebe per share declared at our half-year results. We believe this reflects the confidence we have in our business strategy and also in our cash generation capabilities.

Our commendable results are a reflection of the resilience of our Group strategy, which we adopted. This roadmap is intended to guarantee that as BIHL Group we consistently deliver profitable growth by leveraging on our brand positioning, which is our "Strength in Numbers". This positioning speaks to the size of our footprint as Botswana's largest provider of insurance solutions, our human capital, technological infrastructure as well as the strength of our balance sheet. Our Strength in Numbers means that BIHL Group is now, more than ever before, well-capitalised and well-resourced to achieve our mission to be a significant regional financial services provider through the optimisation of our collective strength.

BIHL Group's pleasing performance during the year under review was due, in no small measure, to the support and sterling efforts of our Boards of Directors, Management teams and Staff in the Group's companies, all of whom have embraced BIHL's positioning with vigour and commitment.

Performance review

During the year, BIHL Group had a concerted effort to focus on the needs of our valued customers through providing focused and excellent service. This entailed offering competitively priced insurance solutions and strongly managing our portfolios.

We are aware that it is only through exceptional customer service that our customers, both retail and corporate, will experience the level of satisfaction that will warrant their loyalty.

The establishment of Sub Boards of all subsidiaries has also enabled the Group to give due focus on each of the subsidiaries. This has consequently resulted in stronger growth and renewed innovation across our suite of brands.

GROUP CHAIRMAN'S REPORT (CONTINUED)

Sustainability

The environment in which we are operating has become intensely competitive over the years. This has necessitated that we not only solidify our value proposition but also adopt a two-pronged approach of defending our market share and proactively seeking out new areas of growth.

To do this, BIHL had to ensure that the Group strategy is flexible enough to provide it with the agility it needs to better respond to new opportunities and market changes. This is essential to us retaining our leadership position in the life and asset management segments.

The dynamic nature of the insurance industry also means that we cannot afford to be complacent. This is why we intend to continue expanding our product portfolios and realise our ambition to be a one-stop insurance solutions provider for Batswana from all walks of life. Our newest subsidiary BIHL Sure!, which has helped establish us in the short-term insurance segment, was launched to enable us to achieve this desire.

BIHL Group is also improving how its businesses operate. Our investment in world-class IT systems is enabling our companies to operate more efficiently and also leverage synergies that exist amongst subsidiaries. This is paying off. It is this agility and level of customer service that is endearing our brands to our customers. Our IT systems are enabling all BIHL businesses to better anticipate and meet the needs of customers using their collective strength.

Improving how we operate

We are a business that is grounded with a clear understanding of the reason we exist "to provide financial solutions to our clients". We do this to ensure sustained growth of shareholder value. How we do this is the universal challenge that any business will face. For us, key to growing shareholder value, has always been the ability to critically review how we do business. Always seeking to improve and align to best practice across the world. No system or process is above such review.

Governance

In 2013, BIHL Group's strong and stable Board of Directors continued to perform to uphold the highest standards of good corporate governance. It remains our commitment to ensure that we only appoint as directors those individuals who bring a diversity of skill and experience to the Board. These must be individuals of the highest integrity, who share our commitment to good corporate governance and ethics. The Board is made up of Executive, Non-Executive and Independent Directors, of which the Independent Directors make up the majority.

It is therefore with great regret that I advise you of the resignation of two Board members, Mr Uttum Corea and Mr Thomas Schultz. Mr Corea, decided to focus on his commitments to the Government of Botswana, while Mr Schultz, by virtue of being a Non-Executive Director was replaced by Mr Andre Roux. Mr Corea served as Chairman of the Nominations Committee, Director on the Audit Committee, Director in the Botswana Life Board and Director of the main BIHL Board since 2008. Mr. Schultz served on the Investment Committee, was a Director in the Bifm Board and Director of the main BIHL Board since 2011.

They have been extremely valued members of our Board and I would therefore like to take this opportunity to thank both of them for their valuable wisdom and contribution to the strategic direction of the Group, and for being part of its success.

Similarly, I would like to congratulate Mr André Roux on his appointment as Chairman of the BIHL Investment Committee. Mr Roux is the Chief Investment Officer at Sanlam Emerging Markets (Pty) Ltd as well as SIM Namibia. He previously headed up the fixed interest team in South Africa for nine years during which he was a voting member of Sanlam Investments' Asset Allocation, Credit and Asset and Liability Committees. He was appointed to the BIHL Board on 4 July, 2013. Mr Roux holds a BCom (Hons) (Economics) from University of Stellenbosch and an EDP from Manchester Business School. We look forward to his contribution to the growth and sustainability of BIHL Group.

I would also like to recognise Management and Staff of BIHL Group and its subsidiaries for observing the importance of adhering to good corporate governance in assisting the businesses create unceasing value for all our stakeholders.

It is not easy to run a complex business in a stagnating economy and in a highly competitive operating environment. This takes integrity, teamwork, service excellence and innovation and a strong determination to perform. These are the core values that continue to underlay BIHL Group's operations.

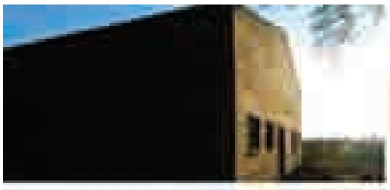
GROUP CHAIRMAN'S REPORT (CONTINUED)

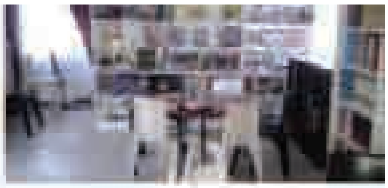
Corporate citizenship

As a proud Botswana company, we are acutely aware of the responsibility we have towards our communities and the broader economy. We acknowledge that our success cannot be divorced from that of those we serve. This is why I'm particularly proud of the achievements of the BIHL Trust, which reflect our strong commitment to being an active and involved responsible corporate citizen.

Since the establishment of this important Corporate Social Investment (CSI) vehicle in 2007, we have improved the learning environments of junior school children across the country through the establishment of libraries. This has kindled the love of reading amongst children particularly those living in disadvantaged areas. We intend to continue with projects like these, and also to fund larger developments that will help to give vulnerable children a solid start in life.

We continue to increase our investment in our flagship BIHL Thomas Tlou Scholarship, which continues to solicit a lot of pride amongst our employees. The project not only honours a great Motswana but also helps in the enhancement of our country's critical skills.





Contributing to the welfare and development of children

No child should be denied the ability to learn. Education and learning is a core principle of our Corporate Social Investment activities. As the saying goes, "teach a person to fish and they will eat forever". The question we asked ourselves is; but what if there were no fish to catch in the first place? What if there was no river? Armed with these questions we have focused on providing support towards the bricks and mortar needed to be able to teach children in the first place. We are thus fully committed in the Adopt a School Programme spearheaded by the Ministry Of Education and Skills Development.

About Batsho Dambe-Groth

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

I'm very proud of BIHL Trust's focus on not only developing individuals and communities but also empowering them to make them self-reliant. Through the Trust, BIHL Group is able to contribute to the development of our country particularly at grass root level.

The year ahead

It is fair to say 2014 will not be without its challenges. However, our positioning which leverages on our collective strength as a group means BIHL is in a solid position to weather the storms.

Over the next twelve months, we will be paying more attention to our financial services products by making them accessible to all Batswana by helping people understand how and why they need to protect themselves against risk. We believe this is a fiduciary responsibility that we have to the people of Botswana as we navigate through challenging economic times.

From a shareholder perspective, we are aware that to maintain our momentum and deliver value, we need to constantly raise the benchmark. We intend to continue to work harder to retain market share, expand into new niches, derive benefit from cross-selling and upselling, and deliver the kind of value our investors have come to expect.

Our Group strategy has laid out a solid foundation for this which will allow BIHL Group to continue delivering exceptional returns to shareholders by leveraging on its Strength in Numbers and its reputation as a trusted brand throughout Botswana. With our Group CEO, Gaffar Hassam, at the helm assisted by the Executive, Management and our competent team of employees, we look forward to another successful year in 2014.

Batsho Dambe-Groth
Group Chairman

BIHL Group CEO's Report

Our Vision

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

Performance highlights

Value of new income increased to P109.7 million

10 %

Total profit before tax increased by 19% to

P579 million

Assets under management increased to P27.1 billion

25%

Key facts about Botswana Insurance Holdings Limited

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

With over **370 administration staff, 880 agents and brokers**, over **280, 000 individual policies** and over 100 corporate and affinity group clients, BIHL continues to leave a lasting impact in shaping Botswana's financial services space.

P98.4 million

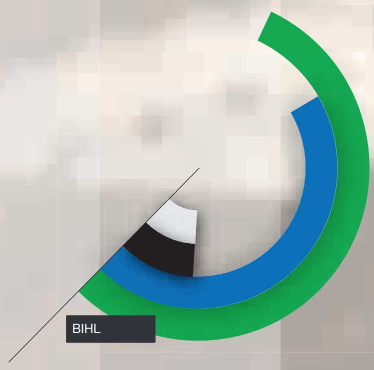
dividends paid

BIHL board has committed **1% of post- tax profit** arising out of wholly owned Botswana subsidiaries, being Botswana Life Insurance Limited, Bifm and BIHL Sure!, to the BIHL Trust. **The Trust is committed to supporting development initiatives that are directed towards the alleviation of poverty**, reduction of suffering as well as the development of communities in Botswana.

The Trust's areas of interest are:

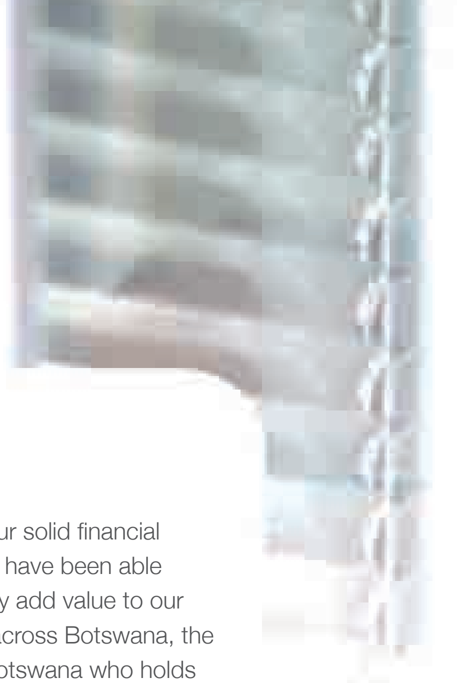
a) Poverty alleviation
b) Economic empowerment projects
c) Development of human resources through education and training
d) Public welfare services, including youth development
e) Public recreation including sports
f) Rural development

Composition of the Group earnings



- **9%** Asset Management business
- **41%** Associates
- **59%** Life Insurance business
- **(9%)** Other

GROUP CEO'S REPORT



During the past twelve months, Botswana Insurance Holdings Limited (BIHL) has demonstrated our Strength in Numbers through our customers, the calibre of our staff, financial strength and systems, returning an impressive set of results in a tough environment.

Thanks to our solid financial position, we have been able to continually add value to our customers across Botswana, the individual Motswana who holds our shares, and to society and the economy more generally. We are committed to building sustainable value for our stakeholders.

Gaffar Hassam, BIHL Group Chief Executive Officer

Financial performance

It is my privilege to share with you the financial highlights of BIHL Group for the year ending 31 December 2013. These results demonstrate the success of our strategy during the year, which focused on BIHL Group using its collective strength as Botswana's leading multi-line insurance provider to defend and grow market share, while exploring new income streams.

While the Group continued to operate under challenging economic conditions, it performed exceptionally well during the period under review. Profit After Tax (PAT) increased by 25% to P495 million and Embedded Value, which is the estimated total value of the Group, increased by 21% to P3.3 billion. The latter was positively influenced by operating returns, especially in the life business, as well as by good investment returns in line with global market performance. In a similar vein, assets under management increased by 25% to P27.1 billion, and total revenue showed a robust increase of 58% to P4.9 billion.

Further, basic earnings per share for ordinary shareholders increased by 25% from 146 thebe in 2012 to 183 thebe in 2013. Diluted earnings per share likewise increased by 25% from 145 thebe in the previous year to 181 thebe in 2013, and normal dividends gross of tax were awarded at 50 thebe per share.

This performance comes on the back of strong assets under management, a position strengthened by new mandates received in the latter half of 2013. It also demonstrates that, after 38 years of operating in Botswana, BIHL is well-established, financially stable and consistently fulfilling its mandate to all its stakeholders, especially shareholders and customers.

GROUP CEO'S REPORT (CONTINUED)

Alignment with the Strategy

We remain steadfast in our vision to become a significant broad-based financial services provider in Botswana and Southern Africa. We have long identified that realising this goal will require that we evolve in two particular respects – how and where we do business. This is at the core of guaranteeing our sustainability as a Group.

In order to achieve this goal, we need to continue to diversify while at the same time finding innovative ways to further differentiate our brands and their offering in the intensely competitive market.

The launch of BIHL Sure! in 2012 gave us entry into the short-term insurance market where we had no presence before. Yet there are still gaps in our current offering that we still need to fill if we are to realise our vision and also achieve our important objective of delivering sustainable returns to shareholders. BIHL Group's 2012 – 2014 strategy aims to help the company maintain its grip on its traditional markets while simultaneously enabling it to respond to new growth opportunities and also diversify into new areas. This is by using the Group's collective strength to enhance performance and innovation, and also develop new advantages in the market.

To give context to this strategy, for many years BIHL functioned purely as a holding company for two large and successful subsidiaries, Botswana Life and Bifm, which were both market leaders. However, these have been under extreme pressure from competitors, necessitated that the Group take

What "Strength In Numbers" means to us

We are constantly humbled by the magnitude and size of the BIHL Group. The impact it has on people's lives. The role it plays in the Financial Services sector. We take our role very seriously, as with growth comes responsibility. Responsibility to the community, which we operate in. Responsibility to our shareholders who, rightly, expect us to operate a sustainable profitable business.

We believe that our strategy of using our size to our advantage provides us the opportunity of meeting our obligations. "Strength in Numbers" is not just a tag line for us at BIHL. It is how we do business. We are able to leverage off our healthy balance sheet, leverage off the depth of skills in our people and leverage off the nearly 4 decades of operational experience. This is how we utilise our strength to benefit all of those who have a vested interest in BIHL Group.

Strategic Priorities for 2014

We will focus on capitalising the Group synergies by looking at managing costs, exploring new investments and deploying capital efficiency

We will endeavour to focus on existing projects for BIHL Trust with a view of making them self sufficient and sustainable

We will be extending our product offerings, providing excellent customer service, remaining profitable, increasing market share and growing embedded value

proactive and even aggressive approach to protect their market share for the long term. To do this successfully, it was therefore important that BIHL begins to leverage off the Group's collective strength in order to build a more integrated financial services entity.

We are also seeking to differentiate ourselves through serving our clients better. This is why in 2013, our Group companies concentrated on introducing and consolidating a number of new initiatives to help us achieve this including system upgrades. A notable demonstration of this was the introduction of the new LifeRewards pre-paid card by BLIL, which is a first for an insurance company in Botswana and a rare benefit in the global life insurance market as a whole. The card aims to reduce claim turnaround times, and the roll-out to branches was completed in September 2013. Clients have embraced the new card as an alternative payment method and, as at 31 December, 7,123 cards with a total value of P26.9 million had been issued.

Other initiatives included the roll-out of the Bifm Unit Trust product suite, which is serving to extend BIHL's reach into and penetration of the retail space. The suite is enjoying steady uptake by retail clients.

Within this context, it is gratifying to report that all of our companies, except the newly introduced businesses in General Insurance and Unit Trust, in the Group have reported positive results.

Across the Group, we have also continued to further bed down the state-of-the-art operating systems initially introduced in 2012 and to extract efficiencies from these systems. As a result, operating expenses increased by only 5% during the period under review, a cost containment record to be proud of.

On the new business front, BIHL continued to sustain market share. The life business recorded value of new business of P110 million in 2013, a pleasing increase of 10% on the previous year.

Operating performance

The Group's subsidiaries continued to fare well and make a positive contribution to the Group's earnings in 2013. Botswana Life, which controls more than 80 percent of its market, continued to defend its leading market position, while simultaneously offering new innovations such as the earlier mentioned LifeRewards card.

Similarly, Bifm reported an exceptional year with the company's client retention level remaining very high, testimony to the business's deep commitment to delivering superior customer service.

Our major associates, Letshego Holdings Limted (LHL) and Funeral Services Group (FSG), continue to provide satisfactory performance and delivered 41% towards our earnings.

GROUP CEO'S REPORT (CONTINUED)

Nevertheless, 2013 proved to be a challenging year for the newest addition to the Group, BIHL Sure!. We have adopted a conservative approach to building the business, which we are confident will result in a pleasing outcome. The company has the full backing of the BIHL Board as well as that of Santam South Africa, which is our partner in the business.

Botswana Life

The life business is in the fortunate position of owning a lion's share of its sector. However, this leadership can also result in a limited potential for growth in the remaining share of the market, which has become characterised by increasingly avid competition.

Growth will therefore not come about through penetrating new markets or by growing the customer base. It will come from better efficiencies and a wider service offering to our client list.

It is for this reason that the Group made a considerable investment in improving its IT backbone in 2012. This enables Botswana Life to defend its market position by enhancing its understanding of customers' needs and enabling it to better anticipate and respond to them. The IT systems are also enabling the company to quickly introduce modern products and services that meet changing requirements. Cross-selling and up-selling to existing customers is also a key focus, and this is delivering tangible results.

Botswana Life is further identifying high-value niche markets, as well as strengthening its relationships with the brokers and agents that serve the middle and lower end of the market. This is in line with our proud history of being a company that's always catered for Batswana from every walk of life.

In addition, the company is expanding its bancassurance presence by partnering with institutions such as Letshego, Standard Chartered Bank and BancABC, using a mutually beneficial model to reach a far wider spectrum of potential customers.

A cause for concern, however, remains the acute shortage of Pula-based long-term matching assets for annuity liabilities, which is becoming an increasingly critical challenge for the industry as a whole. We reported last year that there is a real danger of Botswana Life being unable to underwrite annuities because we do not have sufficient matching assets. This challenge has remained. BIHL is therefore lobbying government to introduce longer-dated government bonds and, in the meantime, we are continuing to structure corporate bonds to match our annuity liability as best possible. It is however pleasing to note that Government introduced longer dated bonds in the recent auctions.

Bifm

Our asset management company is also operating in a saturated and highly competitive market that is unlikely to deliver significant organic growth. As with Botswana Life, our strategy here is to defend our market leadership position by nurturing relationships, delivering excellent service and providing the kind of returns our clients have come to expect. We aim to create more contemporary products and solutions for our clients. We have an integrated strategy that seeks to both defend our market share and grow our book.

In 2012 we therefore reviewed our offshore strategy and appointed new offshore managers better equipped to deal with our integrated strategy. The new panel has fared very well in 2013, outperforming benchmarks. Offshore investments have, as a result, been a key factor in enabling the company to deliver such positive results for the period.

At the end of April 2013, Bifm also extended its product range by introducing a number of Unit Trust options. In line with the Group's full-service strategy, these were launched in order to make investment opportunities more accessible to all of the country's people. The Unit Trust investment portfolios are managed by a group of experienced financial managers, who control diversified assets in local and international equities, bonds, properties and money market instruments. The new Unit Trust products have been very well received in the market.

African Life Financial Services (Aflife Zambia), our Zambia business in which Bifm Holdings has a 49% stake, continued to perform well in 2013, growing operating profit by 37% year on year and contributing 25% to Bifm's operating profit. Aflife Zambia remains a dominant player in the Zambian asset management and benefit consulting business. The business is well positioned to withstand the pressure of increased competition and new market entrants, although the outlook remains challenging.

GROUP CEO'S REPORT (CONTINUED)

Empowering women in New Xade

About 180 km's South of Ghanzi, New Xade is a small settlement in the Ghanzi District. In 2012 The BIHL Trust identified and donated sewing equipment to a group of women through the Ghanzi Remote Area Dwellers who were identified as worthy beneficiaries because of their interest in sewing.

The sewing group consist of 6 women who have received training and are the sole suppliers of uniform distributors. Sharing the same complex as the sewing group, the Bakery project consist of 4 women and one gentleman who are all under 40 years of age. The group received bakery equipment from the BIHL Trust. Through the assistance of the BIHL Trust, both the sewing and bakery group of women are now able to supply schools in and around Ghanzi and are therefore on the way to being self-sufficient.

The 2013 business environment remained largely robust and stable. Both the asset management and benefit consulting divisions signed a number of new mandates which enhanced their fee-earning capacity during 2013 and will continue to bear fruit going forward.

At the start of 2013, Zambia's National Pension Scheme Authority (NAPSA) revoked the exemption from compulsory contributions it previously granted to two of the country's largest mining companies. This will have a negative effect on Aflife Zambia's benefit consulting business. A new management strategy is being implemented to minimise the impact of this decision. Apart from this setback, the outlook for business remains positive.

BIHL Sure!

BIHL Sure! commenced operations mid- 2012, and immediately faced an unsustainable price war from competitors in the commercial insurance space. While management took a sound business decision not to be drawn into this, initial performance projections were affected. The company has, however, made significant gains in the personal insurance market, supported by an industry leading IT system. This has enabled BIHL Sure! to deliver turnaround times and service levels previously unknown in Botswana.

Despite the efforts of the Management team at BIHL Sure! it is apparent that the crowded General Lines space has resulted in less than expected results. Without the Legal Guard offering from Sure! we would have experienced significant losses. We are exploring all avenues looking ahead.

Reinforcing our human resources

BIHL Group continues to be a well-resourced multi-line insurance company thanks to the strength and calibre of its employees.

During the year, we continued to focus on providing meaningful career development opportunities for our staff, as well as to concentrate strongly on succession planning. This is to safeguard the Group against the challenge of finding and retaining skilled personnel, especially in an operating environment as sophisticated such as ours. Our relationship with Sanlam also enables us to offer our people career development opportunities through leadership development and other training programmes. In 2013, three of our employees underwent leadership development training at the Sanlam Training Academy.

About Gaffar Hassam

Gaffar Hassam joined the Group in 2003 as Botswana Life's Finance Manager and Company Secretary. In December 2011, he was appointed as the Group CEO after acting in the role since April of the same year. Mr Hassam holds an MBA from Oxford Brookes and is a fellow of the Association of Chartered Certified Accountants (FCCA). With ten years executive experience in the BIHL Group, Mr Hassam is well versed in the working of the business and has been instrumental in shaping the current performance of BIHL.

BIHL has a flat management structure, and this makes succession planning a little more complex than would otherwise be the case. We nevertheless believe that the advantages of this structure, which makes communications throughout the organisation simpler, more efficient and more cost-effective, outweigh the disadvantages.

Ploughing back into Communities

Of course, BIHL does not operate in a vacuum, and the Group is dedicated to supporting social development throughout the country. In 2007 we committed to allocating 1% of our profits after tax every year to community projects and social development on an annual basis. We have delivered on this promise since then, and will continue to do so in the years ahead.

BIHL's CSI programme is administered through the dedicated BIHL Trust with independent Trustees, which contributes to a range of community and development projects. In the year under review we had contributed P1.6 million to our BIHL Trust from the 2012 financial year. As at 31 December 2013 BIHL has committed P1.7 million to be spent in 2014.

In 2013, the Trust adopted a different approach to ploughing back into our communities. The new course is centred on not only empowering Batswana but also supporting them to become self-sustaining. It is our desire to help build strong and viable communities across Botswana, specifically at grass root level. Our primary areas of focus though are still education and poverty alleviation.

We continue to be involved in education-related initiatives such as Adopt-A-School, through which BIHL Group has created eight libraries since 2012 at junior schools in mostly rural areas. We are also a supporter of the Maru-A-Pula Orphan & Vulnerable Children's Fund, which awards scholarships to orphaned children to enable them to attend the prestigious private school. It is our belief that every child, regardless of their circumstances, deserves access to quality education.

A partner in developing Botswana's skills base, through our BIHL Thomas Tlou Scholarship programme, we also gave four deserving candidates the opportunity to acquire Master's degrees in their fields of choice at the University of Botswana.

The highlight of the year for the Trust however was the successful construction of a multipurpose hall, which is the largest project it has ever undertaken. The newly completed P2.1 million multipurpose hall was donated to the Gamodubu Child Care Trust in Gamodubu village in a ceremony presided over by the now Minister of Local Government and Rural Development, the Honourable Botlogile Tshireletso.

GROUP CEO'S REPORT (CONTINUED)

Established by its Director, Shirley Madikwe in 2005, the Gamodubu Child Care Trust provides out-of-school activities, primary healthcare and three meals a day for over 200 orphaned and vulnerable children, many of them living with HIV/AIDS. The multipurpose hall will offer a dedicated venue for these activities, as well as serve to generate income for the organisation to ensure its sustainability.

The year ahead

In 2014, BIHL Group will continue to use its Strength in Numbers to protect its market leadership position, while at the same time use innovation as a platform off which to explore and secure new revenue generating opportunities. We will be extending our product offerings, providing excellent customer service, remaining profitable, increasing market share and growing embedded value.

We also resolve to focus on capitalising on the synergies within the Group. This is in addition to managing costs, exploring the potential for new investments in the financial services sector, and deploying capital efficiently. On our agenda for 2014, will also be developing our BIHL Unit Trusts and BIHL Sure! further.

We look forward to exploiting the unprecedented flexibility and agility brought about by our superior IT systems. BIHL Group is today in an even stronger position to respond more proactively and effectively to changing market conditions and we have every intention to remain ahead of the curve in terms of delivering value to our clients.

Forecast improvements in both the global and local economies will further enable us to pursue our twin goals of growth and profitability, and to continue to deliver come a step closer to realising our vision to become the very best financial services company in Botswana and Southern Africa.

We foresee the various operating units continuing to leverage off one another and look forward to another successful year in 2014.

Gaffar Hassam
Group Chief Executive Officer

Re a leboga

Often times, the English language never quite manages to capture the true sense of what one wants to say. Yes, there are translations, but many will attest to the fact that in many cases, true sentiment gets lost in translation. For me, this is often the case when expressing gratitude and a simple thank you. Here, Setswana has just the right phrases to help you describe exactly how you feel. "Re a leboga" means, "we are grateful." It is a concerted, passionate, wholehearted expression of thanks, and, we believe, best describes the relationship that BIHL has with our Staff, Customers, Suppliers and Shareholders – the many people that give us our Strength In Numbers. To all of these, People, re a leboga.

While our indebtedness and gratitude to all cannot effectively be encapsulated in a mere page, this serves as but a small token to recognise and show appreciate for the many hands, hearts and minds that make BIHL what it is today. So, to our Board of Directors, who individually and collectively dedicates themselves to steering this Group to success, we acknowledge the effort and the time you spend. We are honoured to have you at the helm. Our loyal staff must be acknowledged and noted as key to our successes over this year and over our 38 years of existence. The passion, fervor, dedication and loyalty we see emanate on everything you do makes us proud to call each and every member a part of the BIHL family, and we thank you for your contribution in making ours a truly great family.

Our ability to satisfy client expectations can only be measured by how well we retain our clients and how we grow and nurture those precious relationships further with time. Their loyalty to the BIHL Group and our services and products will never be taken for granted, as without our clients, we would not be in business today, or be the business that we are today. We are honoured to be able to continue to have such great, loyal, dedicated clients and to work with you in ensuring a mutually beneficial and rewarding relationship moving forward.

Finally, I would like to extend a sincere re a leboga to all our partners - the brokers and the institutions that distribute our products. Without their support, BIHL would simply not be the successful company that it is today.

To all of our people, members of the BIHL family both immediate and extended, re a leboga. We thank you.

BIHL GROUP

FINANCIAL REVIEW

Revenue

Net premium income of P 1.9 billion decreased by

↓ 3 %

Fee income increased by 31% to

↑ P98 million

Value of new business increased by 10% to

↑ P110 million

Earnings

Operating profit increased 19% to

↑ P277 million

Core earnings increased to P 310 million by

↑ 15 %

Profit attributable to equity holders increased to P 492.5 million by

↑ 26 %

Assets under management

- Assets under management increased by 25% to P27.1 billion

Embedded Value

- Embedded value increased by 21% to P3.3 billion

Dividends

- P 98.4 million paid as dividends during the year (2012: P 157.4 million)
- Final normal dividend declared of 35 thebe per share (gross of tax)

Solvency

- Business well capitalised, required capital covered 7.7 times (December 2012: 5.8 times)

Reviving the global economy

The World Bank forecasts global growth of 3.2% in 2014 up from 2.4% in 2013. Policy makers in major developed economies have generally put growth ahead of austerity to revive the global economy. The US is expected to spur the global growth as fiscal consolidation eases and monetary conditions improve, supportive of growth. Though some emerging economies such as Brazil, India, Turkey, and South Africa, have been increasing their key rate, we are of the view that pro-growth and accommodative monetary policy will continue worldwide in 2014.

Economic and financial review

In the domestic market a year-on-year GDP growth rate of 5.9% was achieved up to September 2013, which compares favourably against the 2012 full year growth rate of 4.2%. The trends in key components of domestic demand - largely Government expenditure and personal incomes - will have a modest influence on inflationary pressures. On the favourable side, domestic inflation closed the year 2013 at 4.1%, comfortably within the Central Bank target range of between 3% and 6%. Domestic inflation outlook appears favourable on account of less imported inflation on the back of a supporting exchange rate regime. The Bank rate was reduced four times for a total of 200 basis points during 2013, closing the year at 7.5%. Bond yields have fallen quite significantly during the year, with the longest dated Government bond, the 18-year BW011, closing the year at 6.25%. We believe we are close to the end of yield compression in the domestic market. Similarly to 2013, conditions are expected to improve in 2014 albeit at a moderate tempo.

Financial overview

The review of the Group's financial performance and position should be read together with the Group's annual financial statements. The BIHL Group produced an excellent performance for the year with an increase in operating profit before tax (OPBT) of 19% compared to the previous year. This very solid result is due to good performances from the Group's key operating business units, Botswana Life (life insurance), Bifm (asset management) and associates. The Group continued to invest heavily in BIHL Sure!, the short term insurance business, and the Unit Trusts offering, but these did not generate positive contributions to operating profit during the year under review.

Our income from the associate company, Letshego Holdings Limited, decreased due to a 7.8% dilution of our stake in the ordinary share capital of the company, coupled with margin pressure and various strategic investments in technology and Group expansion initiatives.

Return on Group Equity Value (RoGEV)

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

The interaction of these strategies can be illustrated below.

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

- Shareholder value (all strategic focus areas)
- Business volumes (future earnings growth)
- Earnings (earnings growth and costs efficiencies)
- Capital and solvency (optimal use of capital)

Shareholder value

The BIHL Group delivered an outstanding performance in 2013 despite continued uncertainties in global financial markets. We maintained our focus on strategic decisions that maximise expected longer-term returns even at the expense of lowering near-term earnings whilst paying enhanced attention to reducing investments in underperforming assets. We believe that this is the most sensible approach to long term value creation. Return of Group Equity Value increased to a robust 24% (2012:19%) which is in line with shareholders' expectations in a true competitive market.

The Group increase in embedded value with 21% and its strong solvency position is supportive of our view that the Group is well positioned to continue a stable growth pattern.

Our capital position remains strong with required life capital covered 7.7 times (December 2012: 5.8 times)

FINANCIAL REVIEW (CONTINUED)

Business volumes

The Group experienced an overall decrease of P177 million in net funds flow in a challenging operating environment in 2013. The comparative decrease results from lower annuity contributions in the prevailing low interest environment. On the other hand, life outflows reflect the impact of significantly improved investment returns. We are pleased that the Group paid out more than P1 billion in benefits to policyholders during the year under review, a significant achievement under any circumstance.

The asset management business, Bifm, commendably retained all funds under management while adding additional mandates onto their books. The strategic focus on the quality of new business written is reflected in retention levels supportive of strong net fund inflows.

Value of new business and new business margin

The value of new life business increased by 10% to P109.7 million mainly as a result of significantly improved new business written on recurring life product lines. Improvements to the mortality and economic basis also contributed to positive growth. New business margins have been maintained at satisfactory levels.

Earnings

Botswana Life's operating profit increased by 15% to P275.7 million as a result of good operational earnings from all business lines. In particular, the individual life business delivered outstanding results. Net premium income marginally decreased by 3% compared to the prior period, primarily as a result of lower single premium

Business volumes

	2013 P'000	2012 P'000
Life insurance business:		
Recurring	167,481	136,049
Single	954,456	1,062,581
Total New Business	1,121,937	1,198,630
Recurring	706,170	716,203
Single	4,978	(967)
Total Existing Business	711,148	715,236
Outflows	(1,038,326)	(887,623)
Net funds flows	**794,759**	**1,026,243**
Asset management Business		
Inflows	792,489	924,612
Outflows	(488,171)	(674,515)
Net Funds Flow	304,318	250,097
Total net funds flows	**1,099,077**	**1,276,340**

Value of new business and new business margin

	2013 P'000	2012 P'000
Value of new covered business	109,711	99,307
Present value of new business premiums	1,597,275	1,598,721
New covered business margin	6.87%	6.21%

Analysis of earnings

	Year to 31-Dec-13 P'000	Year to 31-Dec-12 P'000	% change
Operating profit	277,273	232,764	19%
Investment income on shareholders' assets	32,807	37,957	(14%)
Core earnings	310,080	270,721	15%
Profit on sale of subsidiary	-	6,075	-
Share of profit of associates and joint ventures net of tax	189,202	196,482	(4%)
Investment gains on shareholders' assets	80,112	12,054	565%
Profit before tax	579,394	485,331	22%
Tax	(84,621)	(90,936)	(7%)
Profit after tax	**494,773**	**394,395**	**25%**

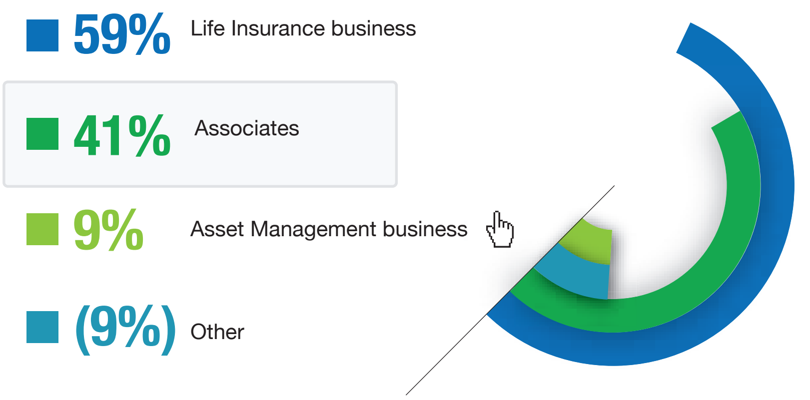
Segment contribution

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

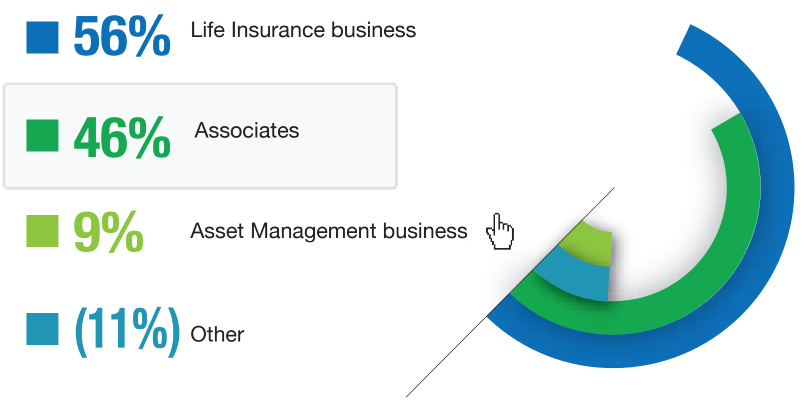
	2013 P'000	2012 P'000
Life insurance business	275,698	239,542
Asset management business	43,926	36,504
Associates	189,202	196,481
Other*	(42,351)	(43,282)
	466,475	**429,245**

* Other consists of net short term insurance results, group operating costs, unit trusts and charitable trust

Contribution to earnings 2013



Contribution to earnings 2012



annuities inflows. Individual life recurring business grew by a very satisfactory 26%, and was the main growth area. Bifm's results were positively impacted by assets under management, which grew by P5.6 billion to reach P27.1 billion overall as a result of significant investments returns. BIHL Sure!'s results were adversely affected by a change in the core operating system that negatively impacted premium collection.

Group expenses have been well maintained in line with the continued strategy to manage expenses while certain one-off expenses incurred in 2012 were not repeated in the current financial year. Both the unit trust product suite and the BIHL Trust, our charitable arm, experienced increased activities resulting in above inflation cost increases. Investment income, which comprises interest and dividend income, decreased by 14% to P32.8 million primarily as a result of lower interest rates and decreased cash balances. Investment returns increased more than fivefold to P80.1 million primarily due to a shift of investments into foreign equity that substantially appreciated in local currency terms. This area remains vulnerable to market volatility.

The Group's share of profit in associates and joint ventures decreased by 4% to P189.2 million due to a decrease in ordinary shareholding from 25.33% to 23.36% in Letshego Holdings Limited.

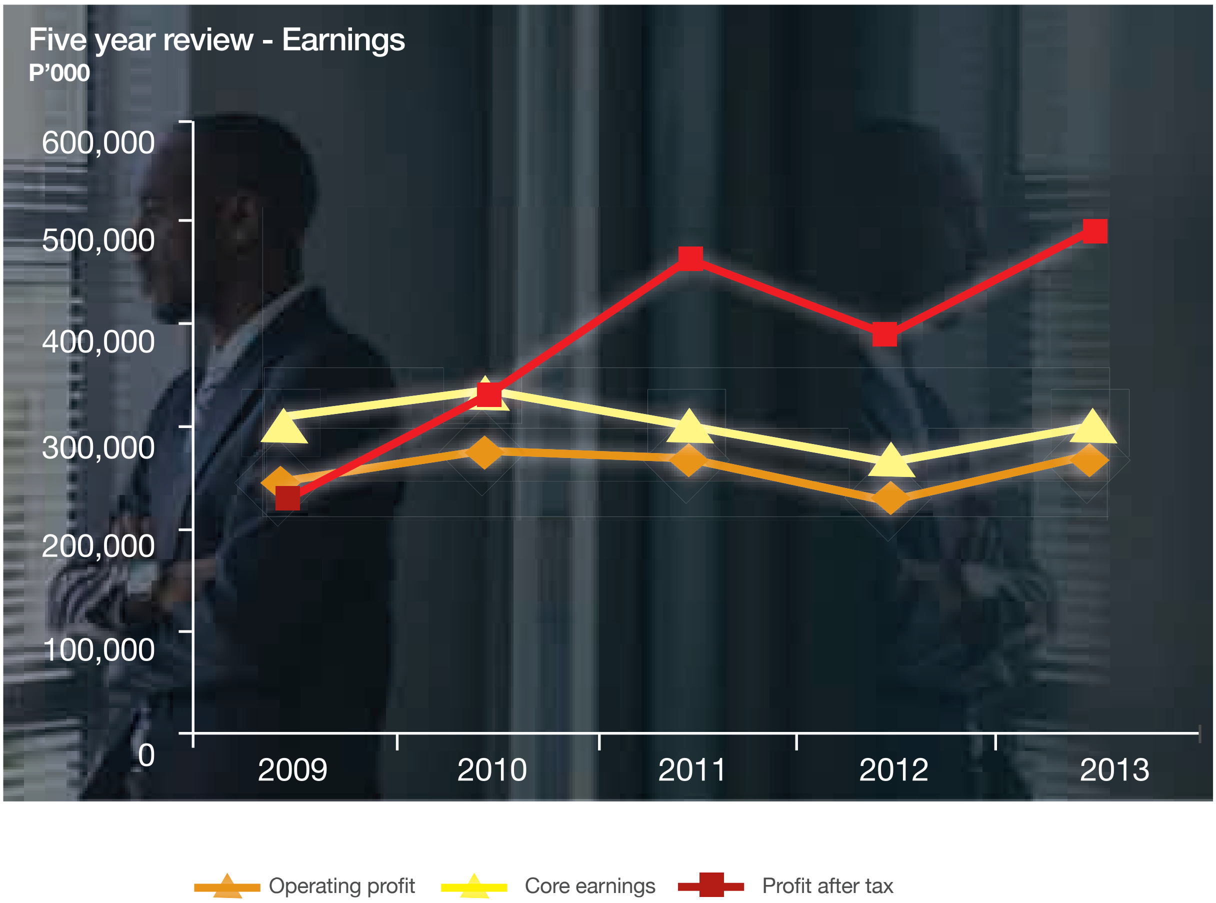
This continues to be an important contributor to Group operating profit.

FINANCIAL REVIEW (CONTINUED)

Five year review of core earnings

The performance over the past five years is as follows:

	2013 P'000	2012 P'000	2011 P'000	2010 P'000	2009 P'000
Operating profit	277,273	232,764	273,146	281,071	250,590
Investment income on shareholders' assets	32,807	37,957	30,612	58,086	57,397
Core earnings	310,080	270,721	303,758	339,157	307,987
Profit on sale of subsidiary	-	6,075	33,785	-	-
Share of profits of associates, net of tax	189,202	196,482	133,872	72,217	26,821
Investment surpluses/(losses) on shareholders' assets	80,112	12,054	56,998	(9,435)	(77,591)
Tax	(84,621)	(90,936)	(57,083)	(69,456)	(19,544)
Profit after tax	494, 773	394,395	471,330	332,483	237,673
Non-controlling interests	(2,273)	(3,477)	(8,357)	(9,933)	(10,370)
Profit attributable to ordinary equity holders of the parent	**492,500**	**390,918**	**462,973**	**322,550**	**227,303**



Return on embedded value (EV)

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

	2013 P'000	2012 P'000
Embedded value at end of year	3,260,161	2,700,868
Embedded value at beginning of year	2,700,868	2,409,662
Change in embedded value	559,293	291,206
Dividends paid	98,375	157,400
Embedded value earnings	657,668	448,606
Return on embedded value	24%	19%

Return on embedded value measures the return earned by shareholders on shareholder capital retained within the business and is calculated as the embedded value earnings divided by the opening embedded value. The Group achieved a very satisfactory return of 24% that was largely attributable to good operational results during the year under review.

Capital and solvency

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

a. Optimising the capital allocated to Group operations
b. Optimal utilisation of discretionary capital
c. Return of capital that does not meet the hurdles of "a" and "b" above to shareholders.

The Group's preference remains to invest its discretionary capital in value-adding opportunities within the financial services sector, with a specific focus on markets with growth potential. Over the past year the Group utilised some P30 million for this purpose, including:

- Further investment in the short term insurance business which was launched in April 2012.
- Increase of equity stake in strategic partners

The life insurance business was well capitalised as the end of December 2013.

Core earnings increased by 15% to

P310 million

Investment gains increased by 565% to

P80.1 million

FINANCIAL REVIEW (CONTINUED)

Ordinary shareholders' assets

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

	As at 31-Dec-13	As at 31-Dec-12
Assets		
Property and equipment	20,827	10,911
Intangible assets	150,898	154,001
Investments in associates and JV's	1,339,221	1,018,707
Investments	535,817	263,122
Investment properties	96,248	63,514
Equity investments (local and foreign)	140,658	91,547
Interest bearing investments	252,671	57,468
Policy loans and other loan advances	24,286	31,874
Money market instruments	21,954	18,719
Long-term reinsurance assets	6,124	9,041
Deferred tax asset	2,344	190
Short term insurance technical assets	8,036	2,281
Trade and other receivables	(238,540)	(273,832)
Working capital cash	580,674	760,539
Minority interests	(34,912)	(33,651)
Total assets	**2,370,489**	**1,911,310**

Dividend

The board gives careful consideration to annual dividend declaration, as it endeavours to achieve a sustainable growth pattern over the medium to long term, taking cognisance of capital and solvency requirements and reserves needed for strategic investments. The Board uses operating profit as a guideline in setting the level of normal dividend. It resolved to award a final dividend for the period, net of tax, of 32.38 thebe per share. The increased dividend is reflective of the strong growth in operating profits for the year under review.

The dividend payment for the year, net of tax is as follows;

	Interim, already paid	Final	Year to 31 Dec 2013	Year to 31 Dec 2012
			(interim & final)	(interim & final)
Normal dividend	13.88	32.38	46.26	32.4

How embedded value works

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

EMBEDDED VALUE

Definition of Embedded Value

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

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

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuation date, discounted at the risk discount rate, and adjusted for the cost of capital required to support the business. Other operations have been taken at net asset value. The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2013, 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.

Covered business required capital

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

Embedded value increased by 21% to

P3.3 billion

- Return on embedded value of 24%
- Required capital of 7.7 times
- Embedded value per share of P11.94

	31 Dec 2013 P'000	31 Dec 2012 P'000 Restated
1. Embedded value results		
Shareholders' net assets excluding goodwill	2,313,929	1,829,874
Fair value adjustments	175,464	334,453
	2,489,393	2,164,327
Value of in-force business	770,768	536,541
Value before cost of capital	957,625	708,461
Fair value adjustments	(58,178)	(63,027)
Cost of capital	(128,679)	(108,893)
Embedded value	3,260,161	2,700,868
Covered Business required capital (Life business)	303,747	316,400
Required capital cover (Life business)	7.7	5.8
2. Embedded value earnings		
The embedded value earnings are derived as follows:		
Embedded value at the end of the year	3,260,161	2,700,868
Embedded value at beginning of the year	2,700,868	2,409,662
Change in embedded value	559,293	291,206
Dividends and new capital	98,375	157,400
Embedded value earnings	**657,668**	**448,606**
These earnings can be analysed as follows:		
Expected return on life business in force	74,697	80,200
Value of new business	109,711	99,307
Value at point of sale	101,558	90,198
Expected return to end of year	8,153	9,109
Operating experience variances	112,015	7,599
Mortality/Morbidity	59,911	58,696
Persistency	(5,543)	(23,974)
Expenses	(14,115)	(6,867)
Other	71,762	(20,256)
Operating assumption changes	29,129	18,140
Mortality/morbidity	33,780	6,679
Persistency	(3,470)	45,791
Expenses	(5,528)	(14,011)
Other	4,347	(20,319)
Embedded value earnings from operations	**325,552**	**205,246**

EMBEDDED VALUE (CONTINUED)

	31 Dec 2013 P'000	31 Dec 2012 P'000 Restated
2. Embedded value earnings (continued)		
Investment variances	96,997	17,761
Economic assumption changes	27,330	10,517
Interest and Inflation	6,090	10,517
Risk discount rate	21,240	-
Embedded value earnings from covered business	**449,879**	**233,524**
Return on shareholders assets	312,714	224,388
Investment Returns	129,854	57,687
Net profit non-life operations	182,860	166,701
Change in shareholders' fund adjustments	(104,925)	(9,306)
Investment (losses)/surpluses on treasury shares	49,215	-
Movement in present value of holding company expenses	19,093	1,390
Movement in fair value of incentive scheme shares	4,849	(8,895)
Movement in other net worth adjustments	(178,082)	(1,801)
Embedded value earnings	**657,668**	**448,606**
Fair value adjustments		
Staff share scheme	4,180	(14,913)
Non-life operations write-up to fair value	108,819	248,761
Group holding expenses	(58,178)	(63,027)
Reversal of cross holding adjustment	62,465	100,605
Total	117,286	271,426
Consisting of		
Net asset value adjustments	175,464	334,453
Value of in-force business adjustments	(58,178)	(63,027)

3. 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 2013, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

Value of new business at end of the year	**109,711**	**99,307**
Value at point of sale after cost of capital	101,558	90,198
Value at point of sale before cost of capital	121,885	107,752
Recurring premium	44,897	31,782
Single premium	76,988	75,970
Cost of capital at point of sale	(20,327)	(17,554)
Expected return to end of year	8,153	9,109

4. Sensitivity to the risk discount rate

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

Risk Discount Rate	10.5% P'000	11.5% P'000	12.5% P'000
Shareholder's net assets and fair value adjustments, excluding goodwill	2,489,393	2,489,393	2,489,393
Value of in-force business	825,408	770,768	721,323
Value before cost of capital	1,000,411	957,625	918,742
Fair value adjustments	(58,178)	(58,178)	(58,178)
Cost of capital	(116,825)	(128,679)	(139,241)
Embedded value	3,314,801	3,260,161	3,210,716
Value of one year's new business at valuation date	117,882	101,558	102,626
Value before cost of capital	133,930	121,885	121,602
Cost of capital	(16,048)	(20,327)	(18,976)

5. 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:

5.1 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-13 % p.a	31-Dec-12 % p.a	31-Dec-11 % p.a	31-Dec-10 % p.a
Risk discount rate	11.50	12.50	13.00	13.00
Overall investment return (before taxation)	9.09	10.09	10.59	10.59
Expense inflation rate	5.00	6.00	6.50	6.50

5.2 Mortality Rates

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

Allowance has been made for expected future AIDS mortality allowing for the effect of the roll out of Anti Retroviral Treatment.
The most recent conducted on 30 November 2013 by the company.

5.3 Expenses

A 5.0% expense escalation per annum was assumed going forward. (2012: 6.0%)

EMBEDDED VALUE (CONTINUED)

5. Assumptions (continued)

5.4 Premium Escalations

The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the period to 31 December 2013.

5.5 Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of experience investigations conducted on 31 December 2013 by the company.

5.6 Tax

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

5.7 Mix of assets backing the Capital Adequacy Requirement

Asset Class	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10
Equities	15.0%	15.0%	15.0%	15.0%
Property	10.0%	10.0%	10.0%	10.0%
Fixed-interest securities	25.0%	25.0%	25.0%	25.0%
Cash	50.0%	50.0%	50.0%	50.0%
Total	100.0%	100.0%	100.0%	100.0%

5.8 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.

6. 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.

Embedded value at 31 December 2013	**Value of in force P'000**	**Cost of capital over base capital P'000**	**Value before cost of capital Total P'000**	**% Change**
Base	770,768	128,679	899,447	
Discontinuance rates decrease by 10%	808,314	128,679	936,993	4.2%
Future expenses decrease by 10%	780,905	128,679	909,584	1.1%
Mortality experience decreases by 5%	796,343	128,679	925,022	2.8%
Investment returns decrease by 1%	721,478	131,896	853,375	(5.1%)
Risk discount rate decreases by 1%	825,408	116,825	942,233	4.8%
Risk discount rate increases by 1%	721,323	139,241	860,564	(4.3%)

Value of one year's new business as at 31 December 2013	**Value of new business P'000**	**Cost of capital P'000**	**Value before cost of capital P'000**	**% Change**
Base	101,558	20,327	121,885	
Discontinuance rates decrease by 10%	113,379	20,327	133,707	9.7%
Future expenses decrease by 10%	106,301	20,327	126,628	3.9%
Maintenance and acquisition costs decrease by 10%	110,435	20,327	130,763	7.3%
Mortality experience decreases by 5%	104,368	20,327	124,696	2.3%
Investment returns decrease by 1%	107,479	22,051	129,531	6.3%
Risk discount rate decreases by 1%	115,433	17,242	132,674	8.9%
Risk discount rate increases by 1%	89,166	23,050	112,215	(7.9%)

Assumed management action

No management action has been assumed.

Restatement of Embedded Value

The Embedded Value as at 31 December 2012 has been restated as the fair value on certain assets was carried at cost in the statement of financial position. This results in an additional P124 million in fair value. The Embedded Value has accordingly been restated from the original value of P2.5 billion to the revised one of P2.7 billion. This change does not affect the income statement and the statement of financial position.

REPORT OF THE STATUTORY ACTUARY

FOR THE YEAR ENDED 31 DECEMBER 2013

Botswana Life Insurance Limited

The results presented in this annual report are based on the requirements of the Companies Act, which uses the bases set out below, referred to as the Published basis. For the purpose of reporting under the Botswana Insurance Act (Cap 46:01) the results are prepared according to Botswana Insurance Prudential Regulations and a referred to as the Prescribed basis. As at 31 December 2013 the Assets and Liabilities under the two approaches are the same and therefore the results shown below.

	BOTSWANA LIFE	
	31 December 2013 P'000	31 December 2012 P'000
Statement of actuarial values of assets and liabilities		
Total assets as per the statement of financial position	8,597,777	7,073,402
Current liabilities, deferred taxation and minorities as per the statement of financial position	392,976	341,266
Net assets	8,204,800	6,732,136
Actuarial value of policy liabilities	6,809,707	5,592,069
Excess of assets over liabilities	1,395,093	1,140,067
Prescribed Capital Target	151,873	158,200
Ratio of Excess Assets to Prescribed Capital Target	9.2	7.2
Analysis of change in excess of assets over liabilities		
Excess assets as at beginning of reporting period	1,140,067	1,044,058
Excess assets as at end of reporting period	1,395,093	1,140,067
Change in excess assets over the reporting period	255,026	96,009
This change in the excess assets is due to the following factors:		
Investment income	36,440	55,201
Capital gains	71,181	(5,129)
Total investment return on shareholders' funds	107,621	50,072
Changes in valuation methods or assumptions	(31,400)	6,189
Operating profit	307,896	233,044
Taxation	(68,918)	(64,217)
Surplus for the year after tax	315,199	225,089
Transfer to share based payment reserve	202	320
Capital Raised and Dividends paid	(60,375)	(129,400)
Total change in excess assets	255,026	96,009

Certification of financial position on prescibed basis

I hereby certify that:

- the valuation of Botswana Life Insurance Limited as at 31 December 2013, the results of which are summarised above, has been conducted in accordance with the Botswana Insurance Industry Act (Chapter 46:01) and Botswana insurance industry prudential rules IPR1L-Prescibed Valuation Method for Long-term Insurance Liabilities and IPR2L-Prescribed Valuation Method and Admissibility Restrictions for Long Term Insurance Assets
- this valuation report has been produced in accordance with Botswana insurance 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.

Changes in valuation methods or assumptions of assets and liabilities

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

	31 December 2013 P'million	31 December 2012 P'000
Mortality	(7.0)	(0.4)
Lapse and surrender assumptions	(1.1)	11.5
Expenses	8.5	(8.9)
Economic	(1.6)	(1.1)
NBFIRA fee	(2.8)	-
Other assumption changes	-	3.3
Data reserve	-	15
Changes in discretionary reserve	-	(9.0)
Change in yield curve methodology	51.6	-
Total	47.5	10.4

Valuation methods and assumptions

As required by BIPR1L and as applicable under IFRS4 the valuation was performed using a gross premium valuation method for insurance contracts and for investment contracts with participation in profits on a discretionary basis. Investment contracts without discretionary participation features have been valued in terms of IAS 39 Financial Instruments: Recognition and Measurement.

The result of the valuation methods and assumptions is that profits for insurance contracts and for investment contracts with participation in profits on a discretionary basis are released appropriately over the term of each policy, and 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. These assumptions are based on past experience and anticipated future trends. In particular, provision is made for the expected impact of AIDS on the experience of the company. The liability calculations also make allowance for the reasonable benefit expectations of policyholders, which may exceed the minimum contractual obligations of the Group.

Liability valuation methods and assumptions

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

The actuarial value of the policy liabilities is determined using the method as described in Botswana Insurance Industry Prudential Rule BIPR1L as issued by the Non-Banking Financial Institutes Regulatory Authority (NBFIRA), which is consistent with the valuation method prescribed in the ASSA's (Actuarial Society of South Africa) APN103 and SAP104 and the valuation of assets 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 2013 exceeds the minimum requirements in terms of the IPR1L and the South African Regulations.

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

REPORT OF THE STATUTORY ACTUARY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from the medium to long term inflation assumption as given by an economist and appropriate risk gaps for different asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses and taxation at current tax rates are taken into account.
- Unit expenses are based on the 2013 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality and disability payment, termination rates are consistent with the Group's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Botswana Life's recent experience or expected future experience if this would result in a higher liability.

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

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

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

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

For reversionary bonus policies, a gross premium valuation was done. Future bonuses were provided for at the latest declared reversionary bonus rates and at final bonus rates supported by the assumed investment return of 9.55% per annum. A discount rate of 9.3% per annum (2013: 10.3%) was used. Bonus stabilisation reserves were held to equate the liabilities to the market/fair value of the corresponding assets.

For individual unbundled policies of which the bonuses are stabilised/smoothed, a gross premium valuation wasperformed. Future bonuses were provided for at bonus rates that would be declared should an investment return of 9.71% per annum be earned. A discount rate of 9.71% per annum (2013: 10.3%) was used to place a present value on assumed future cash flows. A negative Pula reserve has been allowed for, equal to the present value of future charges not required for risk benefits and renewal expenses. Bonus stabilisation reserves were held to equate the liabilities to the market value of the corresponding assets.

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

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 are as follows:

- The mortality basis has been increased to reflect uncertainty due to AIDS, by the addition of an extra 87.28% for females and 55.83% for males of the AIDS mortality table
- The expense inflation has been increased by 7.14% per annum.
- The discount rate on single premium guaranteed annuities has been decreased by 0.50% per annum.
- The renewal expenses have been increased by 7.8% per annum.
- Additional reserves are created to ensure that no policy is treated as an asset

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

Economic parameters

The best estimate assumptions for the major investment parameters are based on estimated future inflation. The current Botswana inflation rate was not used as it was believed to be a short term spike. The estimate for the future expected Botswana inflation was obtained from an economist.The assumptions quoted below are before the allowance for compulsory and discretionary margins and tax:

	2013 %	2012 %
Gilt return	8.0	9.0
Equity return	11.5	12.5
Property return	9.0	10.0
Cash return	7.0	8.0
Expense inflation	5.0	6.0

Bonus rates

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

Policy decrements

The assumptions (before adding margins) with regard to future surrender, lapse, disability payment termination, mortality, medical claims and morbidity rates were consistent with the company's recent experience and provision has been made for the expected increase in the occurrence of AIDS-related claims. The most recent lapse investigation was done as at the end of December 2013 with effective date of June 2013. The most recent mortality investigation was done in October 2013.

Expenses

Provision for expenses (before adding margins) starts at a level consistent with the company's current experience and allows for a 5.0% escalation per annum thereafter (2012: 6.0%).

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.

REPORT OF THE STATUTORY ACTUARY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

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 BIPR2L, although no restrictions applied in practice.

Capital Adequacy Requirements
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.

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 BPCT 3L with the maximum of the two bases being used.

For Botswana Life Insurance Limited, the maximum capital target is on the Ordinary Capital Target (OCT) basis. In determining OCT, no allowance has been made for action by management.

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

The ratio of accumulated surplus to PCT of P151.9million (December 2012: P158.2 million) is 9.2 times (December 2012: 7.21 times).

GTWaugh

GT Waugh
Statutory Actuary
30th April 2014

A long term view

Without a doubt, the year under review was one that we can look back at with pride looking at the overall achievements and performance of our “herd”. We have been able to grow shareholder value in the short term, paying out a fair dividend, whilst preparing the organisation for continued long term growth. The continued development of our human capital, our investments into new technology and our approaches to investment are testament to our longer term view of our herd.

BIHL GROUP

03

Review of operations

Botswana Life

Our Vision

To be the personalised solutions provider of choice.

Performance Highlights

Premium income at P 1.9 billion a decrease of

↓3 %

Operating profit increased by 15% to

↑P276 million

Value of new life business increased by 10% to

↑P109.7 million

Key facts about **Botswana Life Insurance Limited**

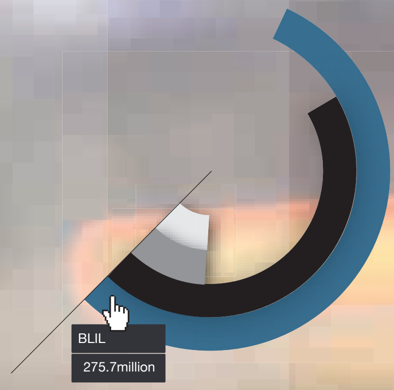
It was established in **1975** **and is a wholly owned subsidiary of Botswana Insurance Holdings Limited (BIHL). BIHL is listed on the Botswana Stock Exchange** and is a member of the Sanlam Group Limited with a 56% shareholding and the remaining 44% of BIHL equity is in the hands of Batswana and institutional investors.

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

more than **280 000** policyholders

Within the past Five (5) years two (2) robust strategies have been introduced; the 2005 - 2008 Tsoseletso and the recently launched 2009 -2013. The latter is a robust five year strategy that has influenced the operationalisation of BIHL. **The 2009 -2013 strategy's over-riding intention of continuing the evolution of becoming a customer-centric** and broad-based financial services organisation.

Contribution to the **Group** earnings



9% Asset Management business

41% Associates

59% Life Insurance business

(9%) Other

BOTSWANA LIFE INSURANCE LIMITED

Botswana Life successfully protected its market share in 2013, maintaining its leadership in the life insurance business despite a difficult operating environment.

Our total net premium income reduced marginally by 3% to P1.88 billion on the back of reduced annuity purchases. This shortfall was offset by a 25% increase in our individual life line, while our operating profit rose 15% to P275.7 million.

More than

P1 billion

paid out in **benefits and claims** over the year

Large footprint across Botswana

11 branches

countrywide

As a result, our contribution to overall Group earnings increased to an impressive 59%.

Our strategy in 2013 focused on strengthening our foundation, by improving customer service and safeguarding our market share, while leveraging BIHL's collective clout to explore new business opportunities.

We did our best to avoid entanglement in ongoing corporate price competition. Instead, we sought to deliver value to our customers and re-engineer processes to improve turnaround times. We launched a business efficiency programme to reduce operational costs and attract quality business while decentralising certain activities from head office to branches. Through this project we were able to reduce our unit costs (cost per policy) by 15%.

All our business lines performed well in 2013 despite competitor aggression. The result was a positive contribution to the Group operating profit and overall value of new business, which increased by 10% to P109.7 million.

The year was generally positive; however, we also encountered some challenges. Botswana's low interest environment during the period under review had a negative impact on our Annuity portfolio, particularly related benefits. These are calculated based on the interest rate. Some policyholders opted to defer their retirement. This is expected in a low interest environment, where benefits tend to be subdued. It is worth noting that most people retire at the minimum retirement age, rather than the compulsory retirement age. This gives policyholders the opportunity to defer retirement to a favourable time period.

Our bancassurance division once again performed well, a testimony to the strong relationships we have with our banking partners.

Driving Growth

Increased diversification through new product and operational expansion, complimented by the business's Strength in Numbers, played a critical role in driving our growth in 2013. Moreover, the innovative IT systems introduced in previous years contributed towards improving turnaround times.

A major highlight during the year was the launch of the Pay Point Campaign, enabling us to take our services directly to our clients, servicing them in real time from our core operating system wherever they are. This extension of service has been embraced by all the Pay Point partners we visited and we have been invited for quarterly visits.

As a result, our clients no longer have to visit our offices, as our employees call on them directly, saving them time and money. It is pleasing to note

BOTSWANA LIFE INSURANCE LIMITED (CONTINUED)

Botswana Life is the first to offer
LifeRewards
prepaid card outside of South Africa

By end of 2013, 7,123 cards had been issued with a total value of
P26.9 million

that Botswana Life is currently the only company in the country with this innovation. This has served to further solidify our value proposition and is a firm commitment from us to our clients.

We launched the Botswana LifeRewards prepaid card, which is underwritten by BancABC and supported by VISA. This innovation makes Botswana Life the first life insurance company to offer such a card in Africa outside of South Africa, and one of only a few in the world to do so. The card complements our efforts to improve efficiencies and has led to an improvement in claim payment turnaround times. Now our clients can receive their claim payments directly into the card, which they can then use for transactions in the same way as a debit card. In this way, we have been able to introduce our previously unbanked and financially excluded beneficiaries to financial services products. The card is issued free of charge, with competitive fees, in order to ensure a meaningful value proposition for beneficiaries. By the end of 2013, over 7,123 cards had been issued, with a total value of P26.9 million.

In addition, cardholders receive discounts at selected merchants, including groceries, home-ware, gym, motor vehicle maintenance, travel and short-term insurance premiums. Our intention is to remain relevant to our clients and to enhance their quality of life through this value proposition. In 2014, we will further improve this loyalty proposition in order for it to compare with the best in the world.

Our products and services

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

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

Strategic Priorities for 2014

We will continue to engage Government and other relevant stakeholders with regard to lack of long-dated Government bonds in order for the industry to manage its liability risks on the back of sound financial instruments.

In 2014, we will further improve this loyalty proposition offerd in the LifeRewards card in order for it to compare with the best in the world.

Within the Group, we partnered with BHIL Sure! We are confident of the benefits this partnership will bring about to both businesses. We are also pleased with the performance of Pinagare, our life cover plan which does not require medical examinations. Through this product our clients, irrespective of their HIV status, will hold a life cover policy with the peace of mind that, should anything happen to them, their families and dependents are fully covered. The product has been very well received, indicating that Batswana have become conscious of the need for such a cover.

Looking ahead

Our priority for 2014 is to continue innovating and capitalising on expansion opportunities in line with our Group strategy, which is focused on growth and profitability using our unified tenacity as a business. We will be entering the final phase of our Sekgantshwane 2014 Strategy, enabling us to achieve greater growth.

From a regulatory perspective, we are working on engaging with key and relevant stakeholders, including Government, to influence policy and industry regulation. In 2013, through a paper shared with the Ministry of Finance and Development Planning, together with other industry stakeholders, we highlighted the challenges of the lack of long-dated Government bonds to support the matching of annuity liabilities and ensure the financial stability of the retirement industry. We have since seen the introduction of the BW011, the longest-dated bond yet with an 18-year tenure, being brought to the market. We have also seen a regular issuance of bonds that assists us in planning our strategy. We welcome these developments, but we believe that more can be done to deepen our capital markets, especially through the regular issuance of even longer-dated Government and quasi-Government bonds. This would assist Government in raising capital for infrastructure developments. We will continue to engage Government and other relevant stakeholders with regard to this matter, in order for the industry to manage its liability risks on the back of sound financial instruments.

With the current levels of household indebtedness, we are aware of our clients' financial constraints and the attendant risk of policy lapse. We are continuing to put our efforts into quality business at point of sale and ongoing management of lapses.

We are very optimistic about 2014. We would like to thank all our Botswana Life Insurance employees, brokers, shareholders, the regulator of our loyal customers and business associates for having been part of our journey in 2013. We look forward to working with them again as we endeavour to remain the life insurance company of choice for Batswana across the country.

Catherine Lesetedi-Letegele
CEO of Botswana Life

CASE STUDY

BREAST CANCER AWARENESS

Botswana Life boosts breast cancer awareness among clients and staff

Botswana Life partnered with Journey of Hope Botswana for a breast cancer awareness brunch for clients and staff at the end of October. The event was held at the Grand Palm gardens in Gaborone, clients and staff were invited to share knowledge and testimonies. Discussions were led by volunteers from Journey of Hope, a not-for-profit organisation dedicated to raising awareness about breast cancer and improving access to medical care.The event was an explosion of pink and white against the lush green gardens of Grand Palm and guests came dressed in the same colours. According to the volunteers, more work is needed to increase awareness, especially the fact that if cancer is detected early, it can be cured.

Interactions included a demonstration of the “Touch, Look, Feel” technique, which is used to educate both men and women on self-examinations. Guests shared personal experiences and asked thought-provoking questions. One of the highlights of the day was a personal story by a guest who had survived breast cancer. By sharing her story, she inspired those present to go for regular testing and to frequently self-examine, proving that early detection is the difference between being a victim and being a survivor.

Guests were able to take part in one-on-one consultations with Journey of Hope. As breast cancer doesn't only affect women, it wasn't a surprise that some attendants were male and took the threat of breast cancer as seriously as women do. The guests went home empowered with information, techniques for examining themselves, and some goodies courtesy of Botswana Life.

Bifm

Our Core Business

Botswana Insurance Fund Management is wholly owned by Botswana Insurance Holdings Limited and was established in 1975 as Botswana's first asset management company. Bifm currently manages over P27.1 billion in assets from fixed income, equity, real estate and alternative investments. Their portfolio covers non-traditional assets such as the healthcare industry and tourism sector. Bifm has also managed to expand regionally to Zambia and has a 49% stake in a Aflife Zambia which deals with asset management and employee benefits in that market.

Performance Highlights

Assets under management increased to P27.1 billion

25 %

Fee income increased by 31% to

P98 million

Contribution by associates to Bifm Holdings

P43 million

Key facts about **Botswana Insurance Fund Management**

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

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

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

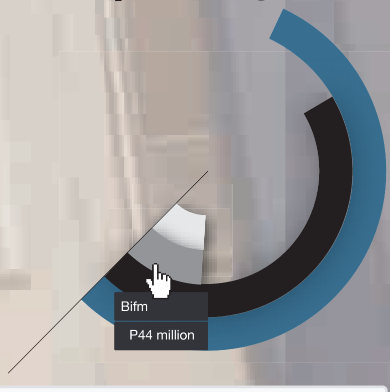
60%

of Botswana's savings

Since establishment, Bifm has been a pioneer in the investment management arena as we invested in the country's first private hospital; in the second five-star hotel; and in shopping malls before the proliferation of malls in Botswana.

Bifm has been involved in the development of two major landmarks in Botswana, namely Railpark Mall and Airport Junction Shopping Centre. In addition, Bifm invested in the country's first five-star commercial office park and, now, adds onto our list of firsts and milestones through the Public Private Partnership through the development of the Office of the Ombudsman and SADC Headquarters.

Contribution to the **Group** earnings



- **9%** Asset Management business
- **41%** Associates
- **59%** Life Insurance business
- **(9%)** Other

Bifm

Bifm's financial performance for 2013 was particularly pleasing. The company reported an exceptional year as it continues to deliver superb customer service, despite operating in a saturated market.

In last year's Annual Report, we promised that Bifm was poised for delivery in 2013, and we are glad to say that we were not mistaken, with Assets

Since 2012, Bifm has funded

P600 million

in various industries within Botswana

For as little as

P200 a month

one can invest in Unit Trusts

under Management jumping 25% to P27.1 billion. This is a strong reflection of the client support we continue to enjoy and appreciate particularly in a time of intensifying competition. It is also testimony to our competence, the strong relationships Bifm has built across its operating history and the Group strategy that has prioritised the leveraging of our collective influence to defend our footprint.

Bifm contributed operating profits of P44 million towards BIHL's performance during the period under review, an increase of more than 15% on 2012's P37 million. Bifm's subsidiaries reported a significant improvement in business operations, which further contributed to the strong performance.

During 2013, we continued to deepen relationships with clients and stakeholders, ensuring that mandates were retained. We were able to rely on the Strength in Numbers of our staff and their dedication to achieve these results. Our employees worked tirelessly despite having to implement and bed down new systems. We salute their unflagging commitment to client service and knowledge development.

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

We were particularly pleased by the returns on our offshore investments, following a review of the business in 2012 and the subsequent appointment of new Offshore Managers. During 2013, the new managers outperformed industry benchmarks and were critical to our good performance during the period.

Bifm's annual client education initiatives were well received, with Trustee training in August and an Offshore Managers' Conference in November. Empowerment and knowledge-sharing is an integral part of our client service philosophy, and this was the sixth year in which the conference was held.

Bifm continues to subscribe to good corporate governance principles. We place a great deal of importance on risk and compliance management. As part of our ongoing efforts to measure progress and the risk maturity of our framework, Bifm partakes in the annual Sanlam Risk Maturity assessments.

Who is Bifm?

Botswana Insurance Fund Management (Bifm) is a company with a rich and interesting history, dating back to 1975. Bifm is acknowledged as the custodian of Botswana's wealth and a key contributor to the country's economic growth over the past 38 years.

We provide financial solutions to individual and institutional clients. These solutions include investment, asset management, liquidity, alternative investments, savings and linked products, property asset management and capital market activities. We provide these solutions to various segments of the markets where we operate.

Bifm (CONTINUED)

Over the year, we spent time focusing on embedding our risk and compliance management framework to ensure the overall improvement in risk and compliance management across the business. The result was an improvement in the risk maturity level in the Q3 2013 Sanlam Risk Maturity Assessment results when compared to the 2012 outcomes.

Going into 2014, we expect industry competition to intensify. In addition, Bifm's results may be impacted by strategic changes within one of our major clients. Accordingly, we have begun to investigate other avenues in order to diversify and grow our income. We will be actively leveraging off our market-leading position to nurture our subsidiaries and ensure that we continue to produce the returns both our clients and our shareholders have come to expect. We also intend to remain committed to best practices in governance and compliance, especially given the changing regulatory environment we now operate in.

Tiny Kgatlwane
CEO of Bifm

Economic development

From the moment Bifm first opened its doors in 1975 as Botswana's first "Fund" manager, we set out with one key objective: to support and empower Batswana with relevant financial solutions. Bifm's establishment coincided with the start of a period of tremendous growth in the Botswana economy. This accelerated as the years went by, as is illustrated by the fact that in 1998 the company was handling around P770-million in investments. By 2001 this had more than doubled to some P2-billion. Today, the P2-billion has grown to over P27.1 billion. Bifm remains focused on contributing to the economic development of our nation and this is evidenced by the fact that we have, in the past 2 years, funded entities with over BWP600 million in industries ranging from fast moving consumer goods, retail, micro-lending and banking to state owned enterprises.

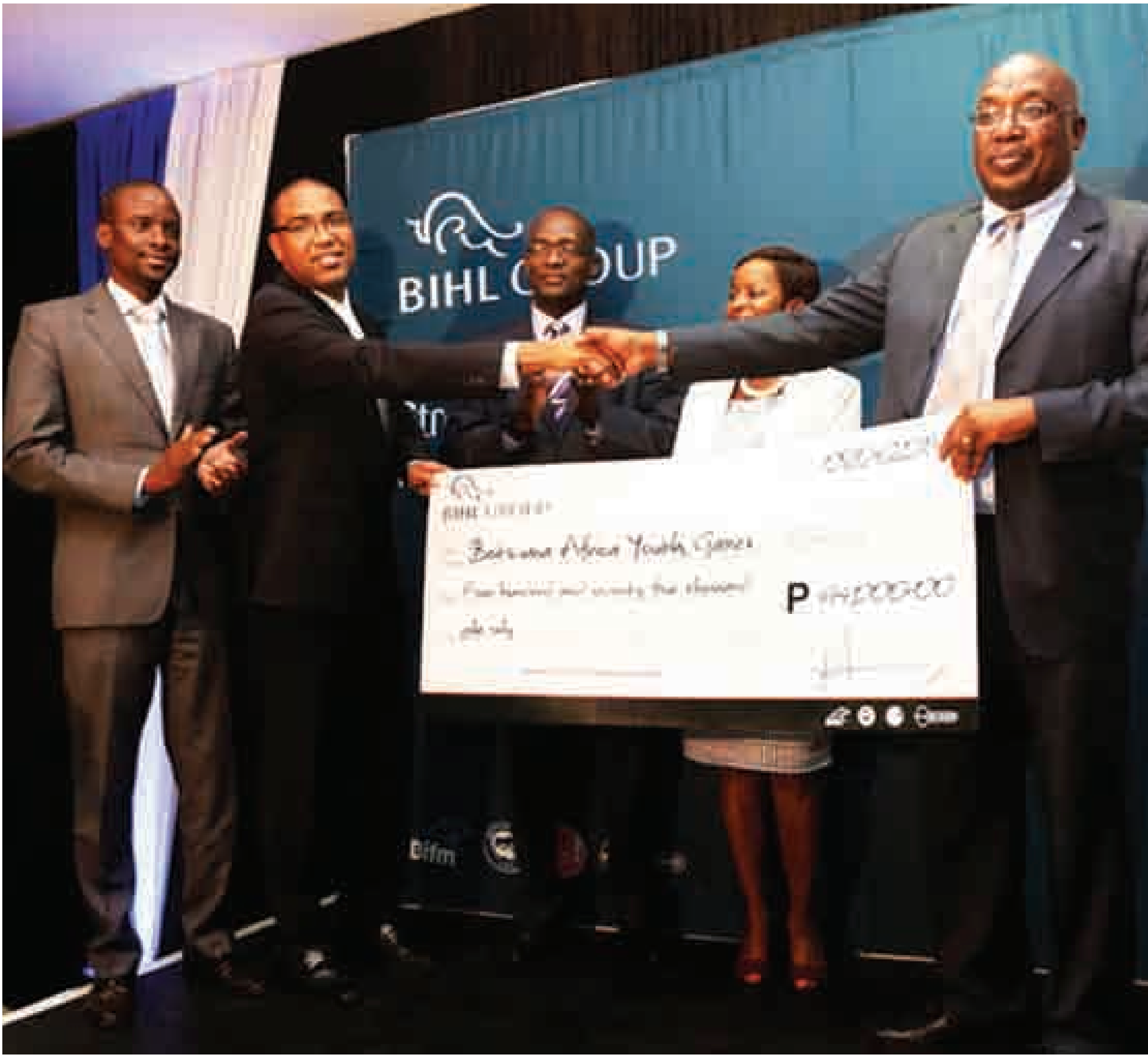
Strategic Priorities for 2014

Investigate other avenues in order to diversify and grow our income

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

CASE STUDY

BIHL GROUP SPONSORS YOUTH GAMES 2014



BIHL Group continued to dedicate itself to philanthropic initiatives when it partnered with Botswana African Youth Games Organising Committee (BAYGOC).

The Committee was tasked with raising P25 million in preparation of the upcoming youth games, following the awarding of the bid to Botswana in March 2013. In April 2014 BIHL made a P500, 000 donation which will go a long way in helping the committee present a world class event to the rest of the world. “Hosting games of this magnitude is no doubt a mammoth task for Botswana and it requires a great deal of effort from all Batswana to deliver successful games. BIHL believes that the games will bring a positive change to the country, hence the donation to assist in the best delivery Botswana can give,” Said BIHL CEO Mr. Gaffar Hassam. The games have since the awarding of the bid to Botswana, brought an excitement to the nation.

BIHL strives to stay relevant and sustainable to the community they serve, and making the donation was inevitable. Batswana, corporates and participants alike, all looked forward to the youth games, as the games have earned themselves recognition as a platform that strives to promote sport and youth empowerment through sport. The Group and its three subsidiaries; Botswana Life Insurance Limited, BIHL Sure! and Bifm each contributed a combination of cash and kind to has been the biggest sporting event in the country.

A P110,000 cash amount was directed by the organisers of the Africa Youth Games as required while the balance of the donation was divided to cover the insurance needs at the event, which included; public liability cover and business all risk cover based on the theft of equipment , group personal accident for persons whilst actually engaged in the activities of Youth Games, including 2,000 volunteers, 1,500 managers/coaches, as well as medical expenses. Accidental death cover for the participants of All Africa Youth Games during the period of the competition was also taken care of by BIHL.

The sponsorship is one of the many ways BIHL gives back to society who supported the group to become what it is. Local athletes have been given a chance to shine on the world stage, to showcase what they are capable of. This is an opportunity for young athletes to become real stars. The games, held from Wednesday 21 May 2014 until Saturday 31 May 2014, were played at 16 competition venues with the National Stadium as the main venue hosting the opening and closing ceremony, UB stadium, BONA courts, BNYC hall and Molepolole IHS to name a few.

THOMAS TLOU ALUMNI EXTEND THEIR OWN GOOD FORTUNE TO OTHERS

Less than three years after the launch of the BIHL Thomas Tlou Scholarship, a new generation of scholars are determined to extend their own good fortunes to others.

To date, the scholarship has enrolled six students at various tertiary institutions. It is this dedicated team of young professionals and Botswana's socio-economic development agents who are benefiting from the BIHL Thomas Tlou Scholarship.

This team, the Thomas Tlou alumni is known as DITLOU, derived from the name Thomas Tlou, is a voluntary society which aims to further access to education and support promising high school students. Its first beneficiary, David Pene, is a Form Four student from Mogoditshane Secondary School in Gaborone. David Pene will be supported under the DITLOU Sponsor A Child initiative for a twelve month period from October 2013 to October 2014. His selection came about based on recommendation of the Guidance and Counselling teacher at his school. David's ambition is to obtain 48 points in his upcoming exams.

THE BIHL THOMAS TLOU SCHOLARSHIP

Consequently he has joined Pledge 48 in his school, to ensure that he stays focused on his goal. Pledge 48 consists of a group of students who form study groups and work together in preparation for the upcoming BGCSE secondary school leavers' exams. Although DITLOU believes that education opens doors for greater opportunities, it also focuses on individual growth by providing mentorship, support for creativity and talent, financial support and career advice

A fixed sum will be allocated to David during this period, of which 25% goes to the purchase of basic necessities including toiletries, stationery and groceries, with the remainder deposited into a bank account is to ensure that at the end of the year, David will be able to support himself after his BGCSE. DITLOU insists that beneficiaries are able to manage their finances and can invest in businesses after gaining financial skills from the mentorship programme. Mentorship will continue for as long as Pene wishes to be mentored, with human rights activist and attorney Uyapo Ndadi acting as his first career mentor.

At present, all contributions are made entirely by DITLOU's members. DITLOU hopes that Pene's scholarship will be the first of many, with the assistance of more volunteers from the BIHL Thomas Tlou Scholarship assisting in sponsoring even more disadvantaged students.

BIHL Sure!

Our Core Business

BIHL Sure! is wholly owned by Botswana Insurance Holdings Limited and is the group's answer to the short-term insurance market. The company focuses on short-term insurance products for personal and commercial line customers being HomeSure! and BusinessSure!, respectively. Their innovation is driven by the support from innovative information technology and the infrastructure from their strong parent company. BIHL Sure! is always looking for new and pioneering ways to transform the short-term insurance market.

Performance Highlights

Gross written premiums increased by 23% to

P59.1 million

Insurance claims paid to policy holders increased 48% to

P23.5 million

Total assets grew 11% to

P62.6 million

Key facts about **BIHL Sure!**

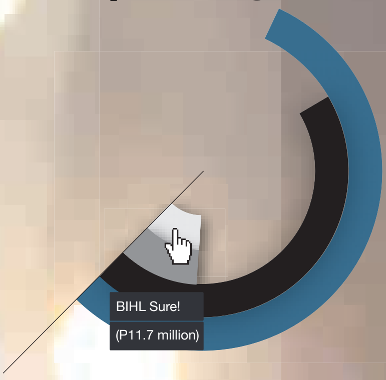
BIHL SURE! is a fully licenced short-term insurance company, **which offers home, household content, motor business and even legal expense insurance**. BIHL Sure! has their flagship suite of products under **Legal Guard, which has been in existence for 10 years**. Through BIHL Sure!, we sell and administer affordable and appropriate legal expense insurance products and services that are easily accessible to all Batswana. We are proud that the Legal Guard brand has become the best-known in Botswana and that we have been able to help tens of thousands of people with legal services ranging from civil and criminal matters to contracts and wills.
Our investment in world-class IT systems is enabling BIHL Sure! to operate more efficiently and also leverage synergies that exist amongst subsidiaries. It is this agility and level of customer service that is endearing our brands to our customers.

65 000

customers

An ever innovative business, BIHL Sure! is constantly looking at the market and its various dynamics. With that said, in the year under review BIHL Sure! launched Income Sure!, which was developed to secure the individual in times of retrenchment. Income Sure!, will pay your salary for up to 6 months while you search for another job. If you are injured and lose your job, or have to move to a lower paid position, Income Sure will make up the shortfall in your salary for up to 2 years! Another, dynamic product which was launched in 2013 was Travel Sure!, which will insure the traveller when going on journey's. Travel Sure!, covers the traveller when luggage gets lost, flights are delayed and you fall ill while on your travels. An important cover to consider for any avid or business traveller.

Contribution to the **Group** earnings



9% Asset Management business

41% Associates

59% Life Insurance business

(9%) Other

BIHL Sure!

The 2013 financial period was a difficult one for BIHL Sure!, the newest addition to the BIHL Group. Several factors hindered the business' growth efforts, noteworthy among them being the soft price market caused by intense competition in a saturated market.

BIHL Sure! assists

20 000

clients annually

BIHL Sure! can register and settle a claim in

40 minutes

For the year 2013, BIHL Sure! recorded premium growth of 12.5% year on year, with the value of gross written premiums arising to P57,1 million. However, this did not translate to profit due to price competition and technology challenges resulting in the business making a loss of P13.4 million.

The business experienced teething technical challenges with its new IT systems, which affected its ability to collect premiums. The Board has approved measures, with support from the major Group shareholder, Santam South Africa, to redress the challenge and the process is underway.
In terms of customer service efficiency, however, our IT systems are enabling BIHL Sure! to build a strong reputation as a short-term insurance provider that puts the needs of its clients first. In 2013, our IT systems continued to give us a distinctive competitive advantage particularly in the claims service area of the business. We are unmatched in this respect.

While the average industry time to process a claim from registration to effective settlement is a day and a half, we are able to do this in as little as 40 minutes. This is courtesy of our systems and the seamless paperless nature of our administrative processes, which are nearly fully automated. We are very pleased about this reputation as insurance companies are traditionally judged by their claims service. It is only at that point, when a client needs to claim, that the value of a policy is tested. Our achievement in being able to process claims speedily, complimented by our comprehensive products and reasonable prices, is endearing us to clients.

A principal strategic focus for BIHL as a Group is to get its subsidiaries to harness their collective strength, especially their resources and intelligence, to help one another gain new competitive advantages in the market. Therefore, as part of the benefits of its newly launched Botswana LifeRewards prepaid card aimed at improving claim payment turnaround times, Botswana Life partnered with BIHL Sure! to give its clients value added benefits. These include discounts from BIHL Sure!. The partnership has been mutually beneficial. For BIHL Sure!, it has helped us gain further traction in the insurance market by introducing us to clients familiar with Botswana Life. As of 31 December 2013, at least 7,123 Life Rewards prepaid cards with a total value of P26.9 million had been issued.

Getting the right people in the right places

A notable achievement in 2013 is our investment in strengthening our human capital, which lies at the core of our business.

In 2013, the first group of 20 members of our sales force graduated from our Certificate of Proficiency (COP) Alternate Certificate course. This was developed and run in-house as a BOTA and NBFIRA accredited legal expense insurance development. The COP Alternate Certificate programme was developed by BIHL Sure! and has been curated and customised to the

BIHL Sure! (CONTINUED)

Who is BIHL Sure! ?

BIHL Sure! came into existence some 10 years ago as Legal Guard Insurance Company, with a limited license. Its core mandate was to sell and administer affordable and appropriate legal expense insurance products and services that were easily accessible to all Batswana.

Today, our products range from the most advanced and user-friendly personal motorcar policy that can be bought in Botswana, to the most complex custom-built cover required by mines and civil contractors, to name a few.

legal cover as offered by Legal Guard. Not only will the course result in the further growth in our staff's vocational qualifications, but it is also aimed at empowering them to better understand and successfully meet the challenges of operating in a tightly competitive and constantly evolving business.

Initially a pilot programme, the six-week course was launched in April 2013 and has proved incredibly successful. It is currently in the process of being rolled out to our teams in other parts of the country.

Looking ahead

BIHL Sure! is poised for delivery in 2014. We are well-capitalised and well-resourced to make an even bigger mark in the insurance industry. We are distinctly aware of the nature of our operating environment and are clear about what we need to do to improve our performance.

The business also intends to further harness the weight of the BIHL brand as well as the capabilities and expertise within the Group to further penetrate its market. We have already identified gaps in the market which are potential growth areas for us. These are areas in which most of our competition is absent. We will also be diversifying our book to give us a greater spread and also reduce our present overexposure to vehicle insurance, which is, unfortunately, prone to a proliferation of claims.

We are highly optimistic of our ability to achieve these objectives over the next 12 months. We have been heartened by the incredible support we have received from our Board, our shareholder Santam in South Africa, the Regulator, brokers, as well as our hardworking and devoted employees. We greatly appreciate these stakeholders' undivided intent to ensure that BIHL Sure! succeeds.

Aiden Rose
Acting CEO of BIHL Sure!

Legal Guard is 10 years old this year! in our 10 years of existance we have achieved:

- First Legal insurer in Botswana by Batswana for Batswana, we understand the market and our products are tailor made specifically for the needs of Batswana
- Are part of the BIHL group which is an insurance and financial power house and is listed in the stock exchange
- Provide affordable legal Insurance to Batswana
- Use of Lawyers that are registered with the Law Society of Botswana
- Widest branch network of 13 branches contrywide
- Offer Legal services are the only ones that come with cash back
- Are the only legal insurer that provideds road side assistance
- Cover conveyancing
- Offer products come with accidental death cover and medical cover

LEGAL GUARD
YOUR KEY TO JUSTICE

10TH Anniversary Celebration

BIHL GROUP

HUMAN RESOURCE REVIEW

Highlights

Retention of critical talent

90 %

Health screening

300 Employees

Health costs

9%

In **2013** a majority of our executive vacancies were filled by talent who were groomed as successors for the roles, **indicating our commitment to giving our talent the opportunity to grow and stretch themselves for more challenging roles.** This was the highlight in our succession plan.

98 %

Localised

370

Full time employees

Our Well@work wellness programme made major strides in its first year. Over 300 health screens were conducted across our businesses. A further 6 health education workshops were conducted across our businesses ranging from stress management to vascular diseases.

Over 10 Wellness champions and 13 First Aiders were trained across our businesses.

Head count

370 Full time staff

880 Agents and brokers

363 Batswana

HUMAN RESOURCES REVIEW (CONTINUED)

In year 2013, we lived up to the challenges we set for ourselves across the business. We set bold performance targets and we were relentless in achieving them.

Once again our people pushed the boundaries and continue to contribute to our bottom line, proving once again that through our collective "Strength in Numbers" we are a worthy foe.

On the back of a challenging 2012, we were motivated to make 2013 the year we went back to our winning ways. This year, our people invested their personal time to give back to their communities and volunteered to uplift the less fortunate. We introspected to gauge the levels of engagement of our people as we participated in the Deloitte's 'Best Company to Work' for survey. Indeed great insights came out of the survey and we are committed to addressing the areas requiring improvement in 2014.

Talent retention and attraction

On the back of retention initiatives we implemented in 2012, we managed to retain over 90% of our critical talent despite a difficult and challenging trading environment. We continued to seek out and acquire the best talent in the market, bringing us closer to our dream of being the employer of choice.

Leadership and management development

Our industry is competitive, especially for talent. To remain relevant, our people from our Leadership teams and our key talent were exposed to various leadership, technical and management development programmes to hone their skills. We started the year with the John Maxwell's 5 levels of Leadership workshop where a total of 21 of our executives and key talent across the group attended. A total 4 of our executive talent attended Sanlam Emerging Market (SEM) Conference aimed at building collaborative and key business relationships within the continent and beyond. A couple of our executives attended yet another Sanlam's initiated Future Leader's conference aimed at unearthing the future SEM leadership from across the globe.

Bringing it closer to home, key programmes were arranged to equip line managers in the areas of job evaluation, project management and executive coaching to increase their personal effectiveness. Since we are in a regulated industry, our people continue to acquire accreditations in various insurance courses to stay abreast in their careers.

Lastly our distribution channel was equally focused in driving performance improvement initiatives ranging from sales, product and compliance training. BIHL Sure! remained resolved in accrediting the sales agents to sell legal insurance products, to date 54 sales Agents are accredited.

Localisation and succession management

We remained focused and committed to ensuring continuity of leadership. Succession management is and remains a top agenda item for the Boards. Our localisation plan improved by 1% from 97% to 98% localised, with a healthy bench of citizen talent being groomed to localise the positions. Equally, our succession bench continues to strengthen for our critical & key executive talent. Key to this success, has been the retention of the key talent during the year.

In 2013 a majority of our executive vacancies were filled by talent who were groomed as successors for the roles, indicating our commitment to giving our talent the opportunity to grow and stretch themselves for more challenging roles. This was the highlight in our succession plan.

Why we view people as one of our Strategic Pillars

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

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

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

Employee Wellness (Well@work)

To support healthy living, staff initiated activities were rolled out across the business from biggest loser, gym as well as sponsored walks to encourage active living. An overwhelming participation by staff in the Steinmetz Marathon was another milestone in the wellness drive. All these were inspired and driven by our people.

The wellness programme further provided counseling services for our people and their families to support their varying needs. Although not directly related, our people volunteered their time for various causes in the various communities we operate in. BIHL Trust provided the much needed support in funding and encouragement to staff to participate.

Our people continue to be driven despite the challenges and we are committed to creating engaged and meaningful experience while they remain a part of this great company.

HUMAN RESOURCES REVIEW (CONTINUED)

When we talk about our Strength in Numbers at BIHL it is easy to assume our priority is in the figures and profits. However, there is another facet to this story. At BIHL we have a number of very special staff that provide us the strength to maintain our leadership position.

Somehow after the very full days of effort within our Group we have staff that find the time to excel in other areas of society too. On the pages that follow you can meet a few of our incredible staff doing amazing things in their communities.

Nlebesi Mphapho: volleyball extraordinaire

We're incredibly proud to have amongst our immensely talented team Nlebesi, a volleyball wonder, to say the very least. Nlebesi started playing volleyball at a young age. "I played volleyball because it's a non-contact sport therefore chances of injuries are very low as there is little or no contact with opponents."

At the same time, there's no denying the sporting talent Nlebesi has nurtured and demonstrated over the years and his participation within the National Team is perhaps the biggest testament to that fact. He was called for the National Team trials in 2009 and again in 2013, continuing to play on the team to date. As part of his representation of Botswana, Nlebesi recently travelled to Kenya. "I had a great experience as I met a lot of other players, some of which I watched on TV. Playing against them was an honour.
Nlebesi was, in addition, in the team that won gold in the zone six (6) competitions, a milestone achievement that only adds to the sporting accolades of our volleyball extraordinaire. Looking into the future, Nlebesi wants to undertake a coaching and sports administration course, so that when he retires from playing he can continue contributing to the sport in a meaningful way.

Tefo Modise Setlhare: the Tennis maestro

Growing up in a mining town, with little else to do, Tefo,'s interest in tennis started in his early years. He started with an introduction for children, Tennisette where he learned basic tennis skills using wooden bats. It was around the age of 7 or 8 when he started watching TV and one Boris Becker, who lit the fire to Tefo's growing interest in the sport. Over the years, Tefo, has represented his schools (primary until university), as well as his region. His achievements in the game are round robin tournaments, intervarsity games, a few trophies and many certificates acknowledging his efforts. "Winning major tournaments, such as the nationals, eluded me although I played quite well in some of them," he recalls.

After following tennis for about 30 years, he finds it difficult to find an icon as all players bring a special and unique quality to the game. "I think the one player who I would regard as my tennis icon would be Roger Federer. He holds several tennis world records: holding the world no. 1 position for 302 weeks overall, including a 237-consecutive-week stretch at the top from 2004 to 2008 and winning 17 Grand Slam singles titles," he says."

"I am particularly inspired by how he can be in a tennis match losing position but then come back to win with so much calmness and composure. That's something I aspire to in any game or field."

Refilwe W. Shoshong: the do-gooder

With CSI close to the heart of all the BIHL Group of companies, there's an added sense of pride in seeing the active community outreach championed by our people. Refilwe is one example, and has been involved in community outreach for 11 years. "To me, helping others through the volunteer work I do is me living up to my motto, which is - a quote from Gandhi - to be the change I would like to see happening in my community, my country, Africa and the world at large."

She became a youth volunteer at Botswana Family Welfare Association (BFWA), and it is through this platform that she has worked with the youth on issues such as Sexual Reproductive Health and Rights (SRH&R) to try and develop behavioral change. Refilwe has been actively speaking on behalf of youth in Botswana and Africa regarding issues affecting young people. She is currently President of the Youth Action Movement Botswana. Refilwe is also a Board Member for Man Health and Gender. Through this, she contributes to helping give men and boys an active role in issues including prevention of gender-based violence, promotion of Sexual Reproductive Health rights, and gender.

Refilwe aims to give those with no platform a voice to speak out about issues that affect them. We're increasingly heartened by her efforts and continue to be inspired by her passion for community outreach.

HUMAN RESOURCES REVIEW (CONTINUED)

Boikobo Mmualefe: avid and exceptional photographer

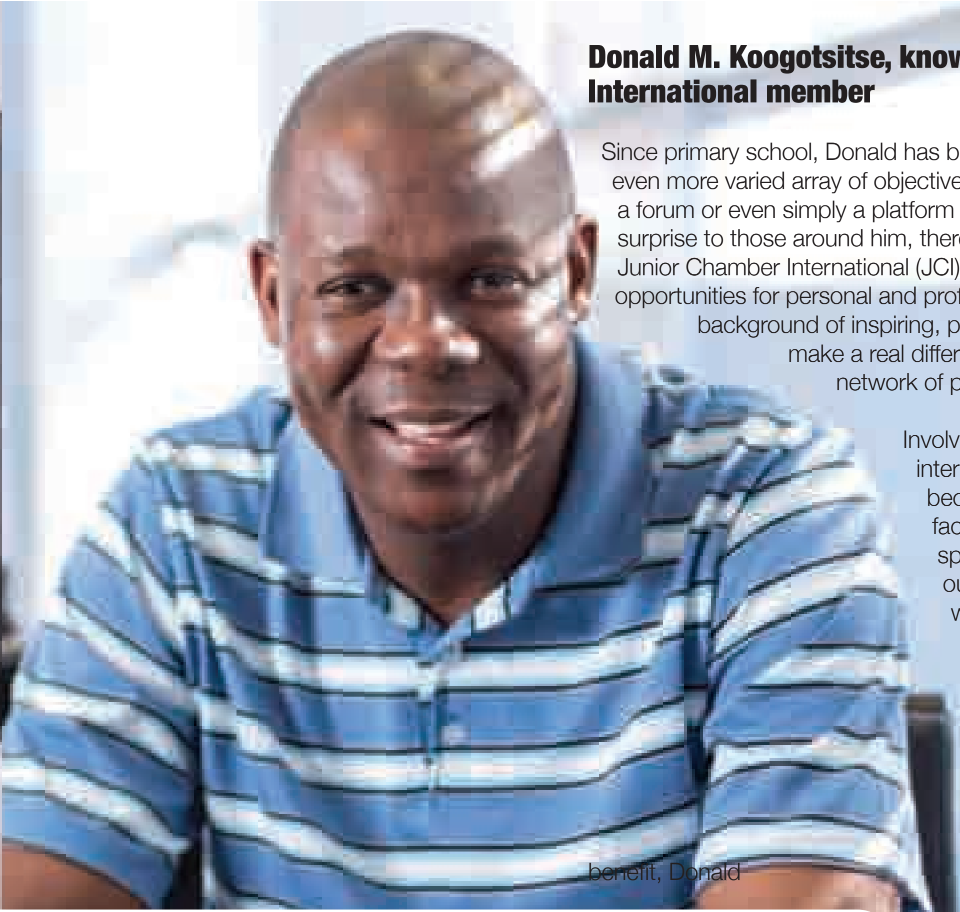
Boikobo developed an interest in photography at a young age in the era of film photography, when precision was considered to be one of the most important qualities of a good photographer. Having no room for error helped him develop his exceptional photographic abilities, and he continues to produce remarkable work in his spare time. Photography has been Boikobo's hobby for the past twelve years. As he honed his skills with time, he increasingly invested in the suitable equipment, including a Canon EOS 600D.

Even though our avid photographer has been shy to share his photos with the public, he will soon be launching an official Facebook page to share his works of art with his growing fan base. The end game of this venture is to invest in photo editing software and strobe or studio lighting equipment. Ultimately, he aspires to have his own a mobile studio, turning what began as a hobby into a true example of passion brought to life.

Goitsemang Moathodi: our 27 Year Veteran

Having joined the company in 1986, Goitsemang is a veteran of 27 years and 8 months with the BIHL family. Goitsemang has stayed with BIHL for so many years, she notes, because of the education opportunities it has afforded her children. In addition, she enjoys the security covered in Life products and a pension for post retirement. Perhaps one of the best people within the business to testify to what it has been like to grow with the business, Goitsemang has proven to be an invaluable part of the family and a reminder of where we started as well as how far we have come – the real value placed in our people. For Goitsemang, the best memory from the last 27 years she has of being part of the BIHL team is having received the long service award, a testament to her unwavering dedication and loyalty to the rest of the team. "I was given a long service award, accommodation in a luxurious hotel and travelled by air from Francistown to Gaborone and back," she recalls.

Goitsemang was the only employee who was celebrated and honored that day, in an effort to shower her with the recognition she truly deserves. The award was simply a small gesture to show our gratitude for the immeasurable value and joy she brings with her each day and for her many years of great service. "I felt like a real Sekgantshwane as I look back to the years of my service. I cherish every moment." Goitsemang truly is one of the inspiration leaders within BIHL, and a shining example of our strength in numbers at every level.



Donald M. Koogotsitse, known as "Senator Don" - Junior Chamber International member

Since primary school, Donald has been an active member of various clubs with an even more varied array of objectives. He has always enjoyed being part of a group, a forum or even simply a platform for engagement and conversation. It was no surprise to those around him, therefore, when Donald became a member of the Junior Chamber International (JCI) in 1992. It gave him a platform that provided opportunities for personal and professional growth against an even more impressive background of inspiring, passionate and young active citizens who want to make a real difference within their communities. This was a global network of people as passionate and driven as Donald himself.

Involvement in JCI has helped Donald cultivate his interpersonal, planning and networking skills, also becoming increasingly sensitive to his surroundings. In fact, the platform has also helped Donald as a public speaker and trainer. He has received recognition in outstanding contribution to the organisation and was awarded such honours as the senatorship in 2007. "Senator Don" has participated in various community projects, founded a secretariat for JCI and trained thousands of entrepreneurs, both locally as well as all over the world. He is currently sponsoring a Public Speaking Competition and prize, to represent Botswana at the JCI Africa and Middle East Conference. It's this sense of fervor and raw passion that, much to our benefit, Donald spreads to all those around him.

Sithando Kgosiyang: the "long-timer"

As we continue to live the Strength in Numbers mantra each and every day, we are ever reminded of one of the greatest resources we boast: our people, who grow with the business decade upon decade. One such "long-timer" is Sithando Kgosiyang. Sithando joined Botswana Life in 1990. "I was inspired by the mere fact that we were such a big organisation with no platform outside our work place where we could meet and interact as employees, and that's what gave birth to the idea to establish the BIHL Sports & Social Club." Over the years, Sithando has shared a great many personal and professional milestones with the Group. "One that stands above the rest is promoting the spirit of co-operation and sportsmanship." Sithando has been part of such projects as building a house for a local resident in Molepolole (Ntloedibe ward) in collaboration with the BIHL Trust. "We have helped influence people's lives from donating groceries to the unwell, to giving presents to patients at Athlone hospital. I'm proud to be able to do something I am passionate about as part of my work life: helping people."

"During my time within the BIHL family, my personal family has also grown. I started this job fresh out of high school and am now married with two beautiful kids, Marang (10 years) and Kgosi (5 years)." Sithando is a proud homeowner, currently developing a secondary premise

and growing his moraka. He was the Head Coach of Botswana Softball for over 10 years, even winning the Zone 6 championship for the first time in 2006. "What I enjoy about being part of BIHL is that we are such a big and caring family. I feel proud to associate with such a company."

Sustainable communities

BIHL has been operating for close to 40 years. Amongst corporates in Botswana, this is quite an achievement. We believe our key to success was hardwired into our DNA from inception. Our business has always led the herd around issues of Corporate Governance and transparency.

We as an organisation recognised, earlier than most, that formalising our support for the communities we operate in will ensure we approach topics like Corporate Social Responsibility and Investment with sustainability as top of mind. This can be clearly seen by where our BIHL Trust places its support in education, sports and the arts.

04

Sustainability

BOARD OF DIRECTORS

From left: John Hinchliffe, Mahube Chilisana Mpugwa, Robert Dommisse, Andre Roux (standing), Batsho Dambe-Groth (Group Chairman), Themba Gamedze (standing), Gaffar Hassam (Group CEO), Heinie Werth, and Chandra Chauhan. (Uttum Corea and Mpho Seboni are not in the picture).

John Hinchliffe (57) +++

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

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

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

He is the Chairman of the Board of Botswana Life Insurance Limited (BLIL) and BIHL Sure! He has a BA (Econ) Honours degree from Manchester University, FCA (England & Wales) and he is a Fellow of the Botswana Institute of Chartered Accountants (BICA).

COMMITEES

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

+ Executive; ++ Non-executive; +++ Independent non-executive

Mahube Chilisana Mpugwa (46) +++

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

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

Robert Dommisse (45) ++

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

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

Batsho Dambe-Groth (48) +++

Board Chairman

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

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

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

Gaffar Hassam (38) +

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

Mr. Hassam, who is also a Director of Letshego Holdings Limited and Botho University, began his career with PricewaterhouseCoopers in Malawi and was transferred to the firm's Botswana office in 2000. He has an MBA (Oxford Brookes); is a Fellow of Association of Chartered Certified Accountants (FCCA) and a Member of Botswana Institute of Chartered Accountants (BICA).

Heinie Werth (50) ++

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

BOARD OF DIRECTORS (CONTINUED)

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

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

Chandra Chauhan (51) +++

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

He is currently the Group Managing Director of Sefalana Holding Company Limited, a listed company on the Botswana Stock Exchange, having been appointed to its Board in 2003. He was responsible for turning around and restructuring Sefalana and has seen its market capitalisation increase from P64 million in 2004 to its current capitalisation of P1.25 billion. He is the Chairman of the Board of Botswana Insurance Fund Management (Bifm). Mr. Chauhan resigned as the Chairman of the Human Resources Committee in August 2013. Mr. Chauhan has a B. Acc (Hons) from the University of Zimbabwe, ACA (England & Wales) and ACA (Botswana).

Andre Roux (52) ++

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

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

COMMITEES

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

+ Executive; ++ Non-executive; +++ Independent non-executive

Themba Gamedze (55) ++

Themba Gamedze is Chief Executive of Strategic planning at Sanlam Emerging Markets. He was appointed to the BIHL Board on 20 November 2012. Mr Gamedze began his career as a senior Actuarial Analyst at Clerical Medical, Bristol, UK after lecturing pure mathematics at the University of Swaziland. Thereafter he held various positions with Metropolitan, Liberty Group and Sanlam before being appointed to his current position in 2013.

Mr. Gamedze serves as an Independent Director on the Boards of Santam, Credit Guarantee and is an independent trustee of the Alexander Forbes Retirement Fund. Mr. Gamedze is an actuary by profession and a Fellow of both the Institute of Actuaries and the Actuarial Society of South Africa.

Uttum Corea (66) +++

Uttum Corea is a director at Colmore Investments as well as at Aeroc Holdings, Abacus House Botswana and Plot Four Eight Four Four (Pty) Ltd. He was appointed to the BIHL Board on 18 February 2008. Mr. Corea is a Fellow Chartered Accountant of Sri Lanka (FCA) (S.L.) and FCA (Botswana) as well as PIAM (Harvard).

Mpho Seboni (52) +++

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

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

Members of the Botswana Life Insurance Limited Board (BLIL)

John Hinchliffe (Chairman)
Uttum Corea
Catherine Lesetedi – Letegele (CEO)
Heinie Werth
Themba Gamedze
Patient Samukelo Thuto

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

Chandra Chauhan (Chairman)
Tiny Kgatlwane (CEO)
Mahube Mpugwa
Andre Roux (appointed 04 July 2013)
Robert Dommisse
Premchand Shah

Members of the BIHL Insurance Company Limited Board (BIHLIC)

John Hinchliffe (acting Chairman)
John Haenen (CEO)
Henri Nigrini (appointed 09 September 2013)
Batsho Dambe- Groth
Moatlhodi Marumo
Themba Gamedze
Merrick Olshegar (resigned 09 September 2013)

Members of the Bifm Unit Trusts (Proprietary) Limited

Patient Samukelo Thuto (Chairman)
Mike Main
Chandra Chauhan (resigned 15 April 2013)
Maipelo Motshwane (appointed 05 August 2013)
Tiny Kgatlwane
Benjamin Tobedza

BIHL Audit and Risk Committee

Robert Dommisse (Chairman)
Chandra Chauhan (appointed 01 January 2013)
John Hinchliffe
Themba Gamedze

BIHL Investment Committee

Andre Roux (Chairman) (appointed 04July 2013])
Mahube Mpugwa

Human Resources Committee

Mpho Seboni (Chairman) (appointed 20 August 2013)
Robert Dommisse
Batsho Dambe – Groth
Heinie Werth
Chandra Chauhan (resigned August 20 2013)

Nominations Committee

Uttum Corea (Chairman)
Batsho Dambe – Groth
Heinie Werth

Independent Review Committee

John Hinchliffe (Chairman)
Uttum Corea

MANAGEMENT

From left: Gaffar Hassam, Tiny Matilda Kgatlwane and Catherine Lesetedi - Letegele

Gaffar Hassam (38) CEO - BIHL Group

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

Mr. Hassam, who is also a Director of Letshego Holdings Limited and Botho University, began his career with PricewaterhouseCoopers in Malawi and was transferred to the firm's Botswana office in 2000.

He has an MBA (Oxford Brookes); is a Fellow of Association of Chartered Certified Accountants (FCCA) and a Member of Botswana Institute of Chartered Accountants (BICA).

Tiny Matilda Kgatlwane (49) CEO - Bifm

Tiny Matilda Kgatlwane was appointed CEO of Botswana Insurance Fund Management in August of 2010, joining the growing number of female CEOs in the country. She has a wealth of experience in the financial and asset management industry having been with the Debswana Pension Fund for four years prior to joining BIHL.

From left: Aiden Rose and Alicia Mokone

Ms. Kgatlwane's career highlights include having held the position of Country Treasurer at Barclays Bank of Botswana from 2001 to 2004 and moving to Head of Retail Performance – Sales from 2004 to 2005 still with Barclays Bank Botswana. She then joined Kgalagadi Breweries Limited in their Sales and Marketing department from April 2005 until May 2006 where she left to join Debswana Pension Fund as the Principal Officer.

Ms. Kgatlwane is a Chartered Accountant who also holds a Bachelor of Commerce degree with majors in Accounting and Management. She is also an Associate of the Botswana Institute of Bankers.

Catherine Lesetedi - Letegele (46) CEO -BLIL

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

Ms Lesetedi-Letegele first joined BIHL Group in June 1992 as a Supervisor. She was subsequently promoted twice during her period with the Group to Assistant Manager in 1998 and then Divisional Manager in 2000. She left BLIL and joined AON Botswana as Senior Accounts Executive in October 2004 and was promoted two years later to General Manager of Life and Employee Benefits.

In 2007, she returned to BLIL as Head of High Value Corporate Business until March 2010 when she was appointed Acting CEO of the company and then CEO in July.

MANAGEMENT (CONTINUED)

From left: Andre Bester and Onthusitse Max Mosiakgabo

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

Ms Lesetedi-Letegele holds a BA in Statistics and Demography (University of Botswana), an MDP from the Graduate School of Business (University of Cape Town), a Certificate in Executive Leadership (Cornell University, New York City) as well as professional qualification in Advanced Insurance Practice (UNISA). She is also an Associate of the Insurance Institute of South Africa (AIISA).

Aiden Rose (50) Acting CEO - BIHL Sure!

Aiden Rose joined BIHL Sure! at the beginning of December 2013 to head up the General Lines division. In February 2014 he was appointed Acting CEO of BIHL Sure! following the departure of Mr John Haenen, who was not seeking a contract renewal.

Zimbabwean – born Aiden Rose has been in the Botswana market since 1997. He has held very senior positions in Botswana, most recently as Managing Director of the Marsh / Alexander Forbes Risk Services (AFRS) amalgamation. Prior to that, he headed up the Short Term operation for AFRS in Botswana.

Rose is an Associate of the Chartered Insurance Institute of London and a Chartered Insurer. He is also a Member of the Institute of Risk Managers of South Africa.

Alicia Mokone (55) Group Head IT - BIHL

Alicia Mokone is the Group Head of IT of BIHL and was appointed to this role in August 2010, where she oversees all IT related matters of the entire business. Ms. Mokone first joined the BIHL Group in August 2009 as the Head of IT for Botswana Life Insurance Limited. Ms. Mokone's career highlights include working for the Ministry of Communications, Science and Technology as the Deputy Permanent Secretary from 2006 – 2010. She was also the Chairperson of Intergovernmental Taskforce for the provision of access to undersea fibre optic cables to 22 African countries. Ms. Mokone's career in Telecommunications and ICT spans nineteen years where she worked her way up the ranks in the Government of Botswana.

Ms. Mokone holds a MSc Business Systems Analysis and Design. She also has various professional qualifications on Policy Development from Harvard School of Government.

Andre Bester (42) CFO - BIHL

Andre Bester was appointed as the Chief Financial Officer of BIHL on 1 September 2013. Andre began his career in 1995 with BDO Spencer Steward in Namibia where he completed his articles in 1997, there after he joined Standard Bank Namibia for a three year period as Financial Manager until 2000 when he joined Ernst & Young (NZ) in their Auditing and Advisory division for two years. Andre joined Old Mutual Namibia as Enterprise Risk Manager in 2003 until 2005 when he became involved in the setup of Bank Gaborone, initially as project manager of the green fields operations and in 2006 as Chief Financial Officer when the business became operational.

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

Onthusitse Max Mosiakgabo (39) Head of Human Resources - BIHL

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

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

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

Sustainability Report 2013

Botswana Insurance Holdings Limited (BIHL) reinforced its commitment to corporate governance during 2013, with the adoption and implementation of key policies aimed at guaranteeing the Group's sustainability and safeguarding it against business risks. These policies will further ensure that we use resources efficiently while remaining accountable to all our stakeholders.

To this end, Botswana Insurance Fund Management (Bifm) has adopted a Combined Assurance Model (CAM) which complies with principle 3.5 of the King III Code on Corporate Governance. Botswana Life Insurance Limited reviewed its CAM, which was introduced the previous year. We will next consider implementing the CAM approach at BIHL Sure!, when we consider the business size, maturity and timing to be appropriate.

The BIHL Group Risk Assurance Framework, approved by the Board during the period under review, includes our risk management policy and plan, risk framework, the maturity model and risk escalation policy. In addition, it defines several risks facing the business and ensures that risks are identified, assessed, mitigated, monitored and communicated effectively.

The BIHL Group Compliance Policy and Charter governs the conduct of employees, promoting accountability and regulatory compliance.

We participate in international efforts to combat money laundering and the funding of terrorist and criminal activities. For this reason, we have adopted the BIHL Group Anti-Money Laundering and the Countering of the Financing of Terrorism (AML and CFT) Policy.

We are committed to combating all unlawful conduct, but due to the nature of our business, we are also specifically opposed to financial crime within the Group. The BIHL Group Financial Crime Combating Policy recognises our zero-tolerance approach and contains a schedule of offences.

A key concern and area of focus for the Group in 2013 was mitigating against insider trading, which is a major issue for listed companies the world over.

In response, BIHL has adopted, among other policies, the PA Trading Policy. Efforts were channelled towards ensuring improved Group-wide understanding of this business risk and the policies we have in place to combat the practice.

Our anonymous anti-corruption tip-off line complements our efforts to fight and prevent all forms of corruption throughout our businesses. It allows our stakeholders, including employees and service providers, to report any suspected criminal activities and bring issues of concern to management's urgent attention. The company that manages the tip-off line is an independent service provider which is based in South Africa. It was set up by auditing firm Deloitte and is used by a number of leading listed entities. In 2013, Resebetse, the anonymous anti-corruption tip-off line, received six reported cases of which four cases where resolved and two are still in investigation stages.

SUSTAINABILITY REPORT (CONTINUED)

Continuity Centre

During the course of the year 2013, a business continuity site for the entirety of BIHL was established. The site caters for mission critical processes in Group businesses. Business continuity tests will be conducted at the site annually to ensure BIHL remains prepared for any eventuality.

Business Continuity Plans

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

Furthermore, the following policies were developed and approved by the BIHL Board in 2013:

- BIHL Group Gifts Policy, which sets out the procedure and process to follow regarding the giving and receiving of gifts within the BIHL Group. The policy is meant to provide guidance to employees so that they can avoid being unduly influenced through gifts and other items that may be tantamount to bribery or valuable consideration. It encourages transparency and disclosure for giving and receiving of gifts.
- BIHL Group Directors' Conflicts of Interest Policy, which guides Directors who may find themselves in potential or actual conflict of interest situations. The policy provides the processes and procedures to be followed in such instances.
- BIHL Group Directors' and Board Members' Code of Ethics, sets the tone for the conduct of Directors and Board Members. It further provides guidance for their interaction with employees, members of the public, shareholders and other stakeholders. In essence the Code is a set of the minimum acceptable standards.

Employee Wellness (Well@work)

BIHL believes in promoting a healthy lifestyle amongst all employees. As part of our overarching drive towards a more sustainably healthy way of life for staff, we have already evidenced a number of platforms and activities to achieve this goal.

BIHL Group endures because of the immeasurable support of Batswana. The vast majority of our employees are Batswana. Our doors opened 38 years ago right here in Botswana. It thus goes without saying we are eternally indebted to Botswana and Batswana.

BIHL is a part of the very fabric of Botswana. Besides the positive effects of what our products have on society for so many. One needs to look at what our CSR activates have been doing over the years. With 1% of the Profit After Tax going to CSR and CSI activities each year ,one can see the value we place on giving back to communities even before we pay profits to our shareholders.

Our Well@work programme made major strides in its first year. Over 300 staff health screenings were conducted, as well as six health education workshops which covered topics ranging from stress management to vascular diseases.

Furthermore, we continue to support healthy living with initiatives such as sponsored group walks, counselling services, and gym membership for executives, with many of our staff taking part in the Steinmetz Marathon. Our HIV/AIDS managed care recorded a 95% adherence rate from 80% previously. Thanks to the Well@work programme, our employee health costs dropped by 10%, from 96% to 86% by the end of 2013.

Our BIHL community, helping build the communities (CSI)

In keeping with our promise to continue to play a more meaningful role in the improvement of the lives of Batswana and communities across the country, 2013 saw our Corporate Social Investment vehicle, the BIHL Trust, adopt a different strategy to lending a hand.

In the past, BIHL Trust preferred prospective recipients to submit funding proposals with motivations for our involvement, but this has since changed. The Trust's new focus is on supporting those projects that not only empower individuals and communities but also enable them to become self-sufficient, in keeping with our ambition to help build self-reliant and sustainable communities. Education and poverty alleviation remain priorities for our involvement. We remain committed to making a tangible difference in these areas, through new ground-breaking initiatives, as well as continued support to those projects we have established strong relations with over the years.

Looking ahead

In a knowledge-based industry such as financial services, our employees will always be our most valued resource. We thank all our staff members for the commitment and integrity they display every day as we seek to continually empower Batswana with sound financial products that make a tangible difference to their lives.

How to ensure a sustainable Group

We have long identified that realising our Vision of becoming a significant broad-based financial services provider in Botswana and the Region we need to evolve in two respects – How and Where we operate.

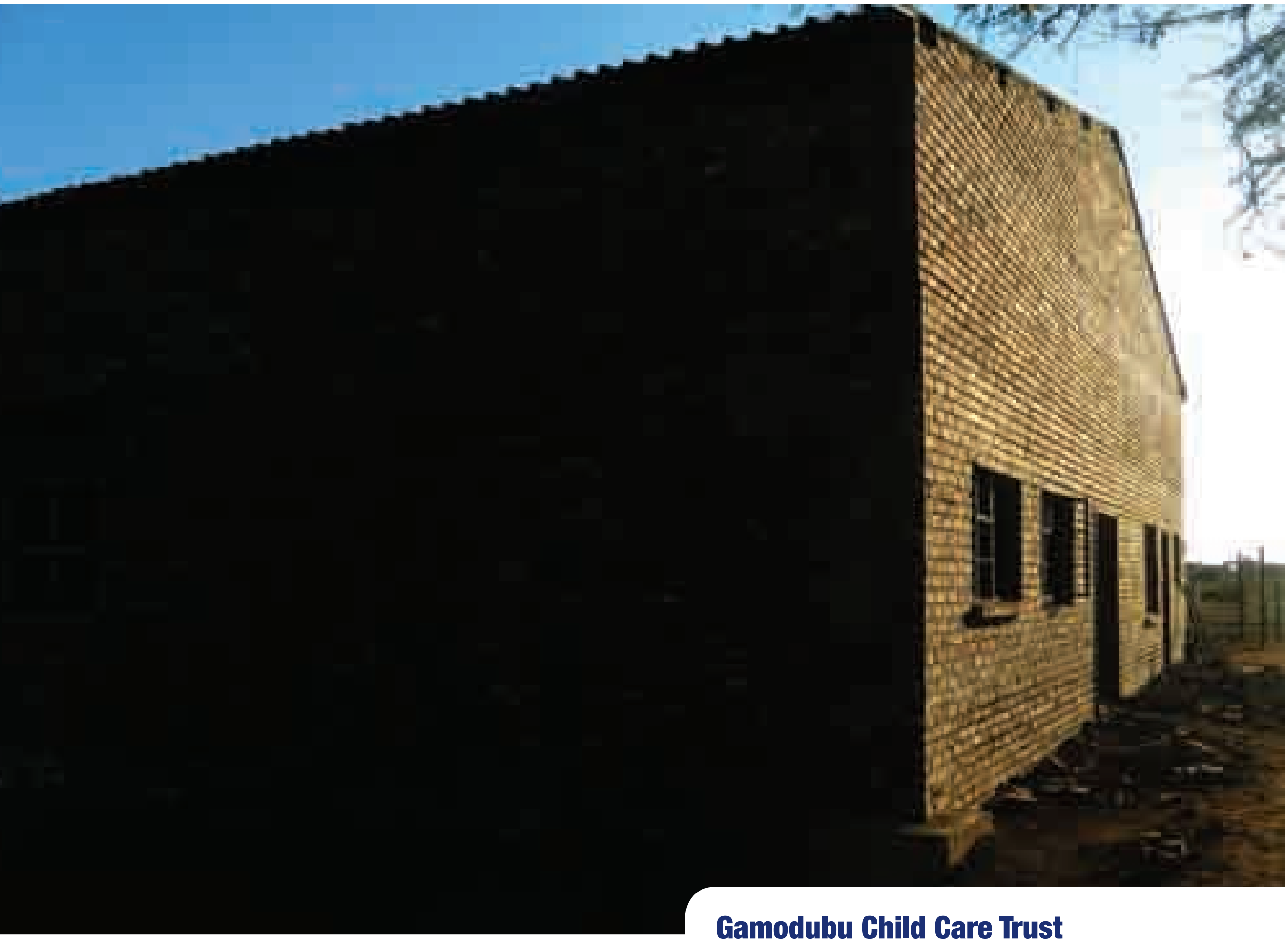
To this end we are under constant review and reassessment of our operational models and efficiencies. Seeking the best way of doing business and achieving long term stability for the investors.

Corporate Social Investment

Stronger Communities

2013 has been an incredible and rewarding year for BIHL. We were heartened by the support we have been able to give to communities. The BIHL Trust has ploughed back more than P10 million to date through our Corporate Social Responsibility initiatives. In 2013, several projects enabled the Trust to work towards building stronger communities. The Trust's new approach affords us a more enabling mechanism to ensure that our support has a lasting impact on communities that will permeate to grass root level, where the need is greatest.

SUSTAINABILITY REPORT (CONTINUED)



Gamodubu Child Care Trust

During the year, the BIHL Trust embarked on its largest project since inception in 2007: the construction of a P2.1 million multi-purpose hall for the Gamodubu Child Care Trust, which cares for orphaned and vulnerable children in that village.

Established in 2005, the Gamodubu Child Care Trust aims to curb social ills amongst young people in Gamodubu and surrounding areas through programmes that address the impact of HIV/Aids, youth delinquency, teenage mothers, youth development, and community outreach. Amongst its initiatives is an out of school program that feeds children who have been infected or affected by HIV/Aids and ensures that they take their medication and receive regular medical check-ups.

Construction commenced in January 2013 and was handed over to the Gamodubu Trust in December. Minister of Local Government and Rural Development, Honourable Botlogile Tshireletso attended the ceremony. The multi-purpose hall is expected to contribute to the Trust's sustainability, complementing its existing income generating activities which include poultry and vegetable gardening.

Creating healthy learning environments

The Ministry of Education and Skills Development, through the Education Hub, assists with the selection of schools in need of support. These are often non-performing schools which have the potential to improve with the right resources. We are pleased to be able to foster a culture of reading among young people and create supportive learning environments at schools. BIHL Trust continued to support the Maru-A-Pula Orphan and Vulnerable Children's Fund, which awards scholarships to orphaned children for the renowned private school.

In 2009, a decision was taken to contribute P200 000 annually to the Fund. The Trust will be taking a more proactive role in the lives of beneficiaries as we hope to support our children and build future leaders.
The Trust has been a loyal advocate of the Adopt-A-School programme, with eight libraries established across the country to date. In partnership with the BIHL Sports & Social Club, we undertook a sponsored walk to raise funds for the creation of a library at Tshwaragano Primary School in Old Naledi. This is a complex process as a classroom must be converted and necessary furniture acquired, including bookshelves, tables and chairs, as well as reading material.

Kuke Primary School in Ghanzi and Serinane Primary School in Letlhakeng also benefited from our involvement in Adopt-a-School during the period. More than P600,000 was donated towards libraries for all eight schools.

Mogobane Primary School in Otse, Cwaanyaneng Primary School in Borolong, Chakaloba Primary School in Topisi, and Mafetsakgang Primary School in Bobonong have also received libraries from the Trust.

SUSTAINABILITY REPORT (CONTINUED)

Using our Strength in Numbers for good

In the true spirit of giving ahead of the festive period, 40 members of the BIHL team spent time at the Princess Marina Hospital paediatric wing for the BIHL Trust "Boxes of Love" campaign. Each staff member adopted a child for the day and was tasked with putting together a Box of Love containing an assortment of gifts. In total, 110 boxes were shared with child patients, with BIHL sponsoring the remaining boxes.

Staff from BIHL set aside time from regular working hours to spend time with the children, share the gifts, a meal and enjoy the festive atmosphere within the ward, particularly as patients had to spend the holiday season away from their families.

Responding to Natural Disasters

Natural disasters are seldom foreseen, but can be devastating for those in the path of storms or floods. In early 2013, the Dukwi region experienced torrential rains which destroyed the homes of many residents. We were able to assist disaster management personnel with tents worth P100 000, providing temporary shelter for those affected. At such times, it is impossible not to reflect on our fragility in the face of nature, and we hope that Dukwi residents are able to rebuild their lives.

Recognising excellence

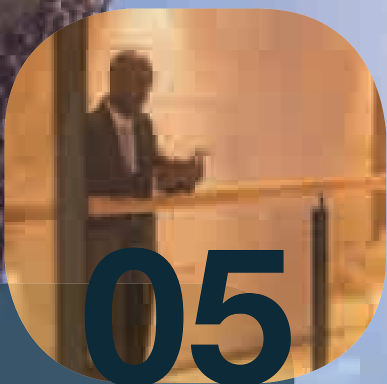
Top performers at Badale CJ Senior Secondary School were celebrated and rewarded during an annual prize-giving ceremony held in Mathathane village.

The BIHL Trust sponsored the ceremony in order to demonstrate that hard work pays off. Students received gifts of stationery, bags and other merchandise, with dozens of trophies, medals and certificates awarded. Badale CJSS is a small community junior school with an enrolment of around 200 students and a pass rate of almost 70%. Many parents earn minimum wages by working in nearby farms and often require support in ensuring their children receive a promising education. Through Global Shapers, an organisation mandated to seek sponsorships for projects that positively impact societies in Botswana, BIHL Trust was able to encourage learners to excel in their studies and also focus on the world of opportunities awaiting them.

Building future leaders

We remain acutely aware of the need to further expand Botswana's skills base – an essential task for the country's sustainability. Consequently, in 2013 we increased the number of BIHL Thomas Tlou Scholarships to four, bringing the total number of beneficiaries to six, at a cost of P450,000. The scholarship is awarded to Masters students at Universities in Botswana.

As BIHL, we are particularly proud of this initiative. Launched in 2012, the BIHL Thomas Tlou Scholarship pays homage to the late Professor Thomas Tlou who was an honourable scholar, a respected diplomat and Botswana's first representative to the United Nations. Professor Tlou was a proud Motswana who believed in the role of education in building leaders and safeguarding Botswana's future. The BIHL Trust actively supports the heritage of Botswana and by so doing, also recognises the significant role our eminent late historian played and continues to play in our lives through his works. In future, the Trust will have four students enrolled at any given time. An especially celebrated outcome of 2013 scholarships was the identification and aiding of a disadvantaged Form Four learner from Mogoditshane Senior Secondary School in Gaborone by a group of young professionals who were awarded the BIHL Thomas Tlou Scholarship in 2013. Referred to internally as 'Ditlou', the young economic development agents set up a bank account in which they have pledged to deposit a fixed sum of money monthly, which will help to fund further studies for the recipient. Of their contribution, 25 percent will go towards the learner's basic necessities such as toiletries, stationery and groceries, while the balance will go towards tuition fees and other costs. Ditlou have also pledged to provide the learner with lifelong mentorship.



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Corporate governance report

Corporate Governance Statement

BIHL is committed to the highest level of corporate governance. The Group is dedicated towards the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for our shareholders and stakeholders. BIHL is committed to business integrity and professionalism in all activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practice. The Board is of the opinion that BIHL currently complies with significant governance principles of King III and that it also complies with the BSE listing requirements. BIHL's corporate governance practices are continually being reviewed and improved by benchmarking against accepted best practices and King III. The Botswana Code was introduced in 2013. The rationale in introducing this code was that, while the King III report remained relevant, there was a need to recognise special country specific circumstances..

The Board

Corporate Governance

The Board is the custodian of corporate governance and is responsible for ensuring that the business of BIHL is conducted according to sound corporate governance principles.

This is done through approving key policies and ensuring that the company meets its obligations to all stakeholders. The Board directs BIHL's strategic planning, its risk assessment and its resource, financial and operational management to ensure that the company's obligations to its stakeholders are understood and met.

The Board's governance and structure

BIHL is governed by a Board which, in terms of BIHL's constitution, must comprise at least three and not more than eleven members. More than half of its non-executive directors are independent and the preponderance of independent non-executive directors is strongly encouraged on the boards of BIHL's major subsidiaries. The roles of the Chairman and the Chief Executive Officer are separate, and the composition of the Board ensures a balance of authority precluding any one director from exercising unfettered powers of decision making. The Board is assisted in fulfilling its responsibilities by the following sub-committees:

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Definition of independence

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

Board charter

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

Appointment of Directors

The broad principles that are followed are to maintain an independent and vibrant Board that constructively challenges management's strategies and evaluates performance against agreed benchmarks and applicable codes of conduct. A balance is maintained among Non-Executive Directors which ensures that the majority of these are independent directors.

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

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

Appointments

Mr Andre Roux was appointed as a Non-Executive Director on 04 July 2013.

Resignations

Mr Thomas Schultz resigned as a Non-Executive Director on 04 July 2013.

On appointment, the new director, as in the case of all new directors previously, had discussions with the Chairperson regarding BIHL's expectations of his potential contribution to BIHL and the areas of his expertise.

In accordance with BIHL's constitution, the term of office for Non-Executive Directors is three years. One-third of the Directors retire by rotation annually, with each retiring Director eligible for re-election, if available, at the Annual General Meeting (AGM). The Non-Executive Directors do not hold service contracts with BIHL and their remuneration is not dependent on their respective performance.

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

Board meetings

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

	BIHL Board meeting	Audit and Risk Committee	Human Resources Committee
B Dambe-Groth	4/4	-	4/4
C Chauhan	4/4	4/4	2/2
U Corea	3/4	-	-
J Hinchliffe	4/4	4/4	-
M Mpugwa	4/4	-	-
M Seboni	3/4	-	2/2
T Schultz	1/4	-	-
H Werth	3/4	-	4/4
R Dommisse	3/4	3/4	3/4
T Gamedze	4/4	4/4	-
A Roux	2/2	-	-

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Sub-Committees

In the course and scope of discharging their mandate, the directors are empowered to delegate part of their duties. Certain functions of the Board are facilitated through the main sub-committees, including the Audit and Risk, Investment, Human Resources, Nominations and Independent Review Committees. These sub-committees have formal charters and report to the Board at regular intervals. The sub-committees are chaired by Independent Non-Executive Directors, with the exception of Audit and Risk, which is chaired by a Non-Executive Director until a suitable individual with the right skills and experience is identified. Reappointment to the sub-committees is not automatic and is subject to the approval of BIHL's Nominations Committee. When BIHL Directors retire by rotation they automatically retire from the sub-committees on which they serve.

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

Audit and Risk Committee

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

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

The Committee has a formal written charter which sets out its responsibilities. The Committee meets at least four times per annum. The internal and external auditors attend these meetings and have unrestricted access to the chairperson of the sub-committee.

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

Members:

Mr Robert Dommisse (Chairman); Mr Themba Gamedze; Mr John Hinchliffe; Mr Chandra Chauhan.

Composition:

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

Investment Committee

- Committee charter ✓

The main responsibilities of the Investment Committee is to assist the Board in discharging its responsibilities in terms of the evaluation of investments for both BIHL and policyholders, the mitigation of investment risks, and ensuring that proper governance has been followed in making investment decisions. A Credit sub-committee meets in tandem with the BIFM Investment Committee to review, set policies for, assess, approve and monitor specific counterparty credit risk as well as to manage the credit risk inherent in the investment portfolios on an ongoing basis.

The Committee meets as and when appropriate.

Members:
Mr Andre Roux (Chairman); Mr Mahube Mpugwa; Mr Thomas Schultz (Resigned 04 July 2013).

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

Human Resources Committee

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

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

Non-Executive Directors do not participate in an incentive bonus nor do they receive share options. The Committee meets at least once a quarter.

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

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

Independent Review Committee

- Committee charter

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

Members:
Mr John Hinchliffe (Chairman); Mr Uttum Corea.

Composition:
Two Independent Non-Executive Directors

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nominations Committee

- Committee charter ✓

The procedure for the appointment of new directors is formal and transparent, and a matter for consideration by the Board as a whole. The Committee's responsibility is to make recommendations to the Board on the appointment of new Directors, including recommendations on the general composition of the Board. The appointments are subject to shareholder confirmation at the next annual general meeting.

The Committee meets as and when appropriate.

Members:
Mr Uttum Corea (Chairman); Ms Batsho Dambe-Groth; Mr Heinie Werth.

Composition:
Two Independent Non-Executive Directors and one Non-Executive Director.

Special Board Committees

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

Remuneration philosophy

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

Employee remuneration

The following principles are used to determine appropriate remuneration levels:

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

Executive Directors

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

Non-Executive Directors

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

Disclosure of individual directors' emoluments is detailed below:

	Annual retainer	Board meeting	Audit and Risk Committee	Human Resources Committee	Total
B Dambe Groth	85,000	95,000	-	54,000	234,000
C Chauhan	65,000	70,000	66,000	33,000	234,000
U Corea	65,000	52,500	-	-	117,000
J Hinchliffe	65,000	70,000	66,000	-	201,000
M Mpugwa	65,000	70,000	-	-	135,000
M Seboni	65,000	52,500	-	33,000	150,500
**A Roux	65,000	35,000	-	-	100,000
**H Werth	65,000	52,500	-	54,000	171,500
**R Dommisse	65,000	52,500	49,500	40,500	207,500
**T Gamedze	65,000	70,000	66,000	-	201,000

** Fees paid for the services of these directors are paid to their respective companies and not to the individuals.
Executive directors' remuneration is disclosed on note 19 of the annual financial statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Evaluation of performance

The Directors complete Board self-assessment questionnaires on an annual basis to evaluate the effectiveness of the Board and its members. This mechanism is used to ensure that the responsibilities of the Board and of individual Directors in terms of the Board Charter, the constitution and significant governance principles of King III (Botswana Code) are complied with, and that adequate attention is paid to matters of both performance and conformance. The results of the self-assessments are collated by the Company Secretary, considered by the Chairperson and discussed with the Board for purposes of performance improvement. The performance of the individual Directors is also reviewed during individual discussions between each Director and the Chairman. The Chairperson's performance is in turn reviewed by the other Directors. The recent evaluations indicate that generally the Directors are satisfied with the effectiveness of the Board's performance and that of its individual members. In 2014, evaluation of performance will be extended to subsidiary boards and sub-committees.

Conflict of interest

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

Dealings in listed securities

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

At every Board meeting each Director makes a price-sensitive information declaration and confirms that they have not come into contact with nor discussed any price-sensitive information.

Advice

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

Statutory actuary

Mr. Giles Waugh is an independent statutory actuary who is not in the employ of BIHL. He is responsible for assisting the Board in all actuarial matters and conducts the actuarial valuation of BIHL. He is also responsible for all regulatory reporting to the Registrar of Insurance and for safeguarding the interests of policy holders. The statutory actuary attends the interim and year-end Board meetings as well as all the Audit and Risk Committee meetings. The report of the statutory actuary is set out on page 62.

Communication with stakeholders

BIHL is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest. These include statutory, regulatory and investor-relations issues, together with other directives, pronouncements and press releases regulating the dissemination of information by BIHL and its directors, employees, officers and other authorised persons. Communications also include the rationale behind major new business developments. Financial results presentations were made to financial analysts on 05 March 2014 during this financial year. In addition, personal meetings with analysts and fund managers/trustees can be arranged when appropriate. BIHL publishes its interim and annual results in the media when finalised and in addition mails its annual report to all shareholders. Where there is an item of special business included in the Notice of the Annual General Meeting, it is accompanied by a full explanation of the implications of the proposed resolution. In the course of the annual general meeting, as at other shareholder meetings, the Chairperson provides reasonable time for discussion. Shareholders are always encouraged to attend the Annual General Meeting.

Forensics

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

Compliance

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Strategic risk management

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

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

The strategy is regularly reviewed and updated where necessary, evaluating risk as a combination of impact and likelihood. Amendments to risk policies require Board approval. The assessment of the various risks in BIHL is evaluated on both a quantitative and a qualitative basis. Risks characterised by a low likelihood of occurrence but with a potentially catastrophic impact, are regarded as unacceptable and are avoided as far as practically possible. Business Continuity Management (BCM) plans have been put in place to ensure that the business is resilient. The Risk Assurance framework provides tools to define the risks and the level at which risks should be reported in terms of the risk escalation matrix. The Compliance framework outlines the compliance process and responsibilities. Policies, procedures and methodologies have been adopted and implemented throughout BIHL that enable effective identification and management of risks. All processes and procedures have been designed to provide reasonable assurance that risks are adequately managed. A detailed risk report is included on page 146 of the annual report.

Employment equity and localisation

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

Financial reporting

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

Internal audit

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

External audit

The external auditors provide an independent assessment of BIHL's systems of internal financial control and express an independent opinion on the annual financial statements. The external audit function provides reasonable but not absolute assurance on the accuracy of the financial disclosures within disclosed thresholds of materiality. The external auditor's plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to the audit. There exists close cooperation between the internal and external auditors to ensure that there is adequate coverage of all material areas of BIHL's business, sharing of information and minimisation of duplicated effort.

Company secretary and professional advice

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

Approval of annual financial statements

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

Going concern

The Board has considered and recorded the relevant facts and assumptions and has concluded that BIHL will continue as a going concern during the 2014 financial year. Their statement in this regard is also contained in the statement of directors' responsibility for annual financial statements.

King III Integrated Report Checklist

Our Approach

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

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

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

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

Last year we took a bold step and set the mark by including our Integrated Reporting Checklist. This was a first in Botswana and this year remains no different for us as we include it again (pg 138-145). This checklist provides a yardstick of how well we are doing against what is considered world best practice. Readers will see that the BIHL Group on the whole is very well aligned to what King III recommends. Where we feel we can do better or are not aligned plans are in place to tackle and improve. One will note the many improvements we have achieved since last year.

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

KING III IMPLEMENTATION PROGRESS REPORT

Current level of compliance: Full **Partial** **None**

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
Chapter 1 - Ethical leadership and corporate citizenship					
1.1. The Board should provide effective leadership based on an ethical foundation.	The Directors Code of Ethics has been endorsed by the Board.				
1.2. The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board recognises its obligation to contribute to socio economic goals and accordingly conducts its business through operating policies that address the potential environmental impacts of its business activities.				
1.3. The Board should ensure that the company ethics are manged effectively.	The Board has endorsed the Directors Code of Ethics.				
Chapter 2 - Boards & Directors					
2.1. The Board should act as the focal point for and custodian of corporate governance.	The Board is committed to and fully endorses the principles of Corporate Practices and Conduct.			Currently there is an ongoing review of how to address King III gaps identified.	2014
2.2. The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board has achieved it through the establishment of the Audit and Risk Committee which encompasses the Combined Assurance Model				
2.3. The Board should provide effective leadership based on an ethical foundation.	The Board is committed to the highest standard of integrity and ethical conduct. This commitment is confirmed by the Boards endorsement of the Code of the Code of Ethics for the Group.				
2.4. The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board has incorporated the BIHL Trust and contributes 1% of its profits after tax to initiatives undertaken by the Trust.				
2.5. The Board should ensure that the company's ethics are managed effectively.	The Board intends to review its charters at least once a year, and ensure that to the greatest extent possible, elements of King III are incorporated.				
2.6. The Board should ensure that the company has an effective and independent audit committee.	The Audit and Risk Committee comprises only non-executive Directors, 2 of which are independent.			Once a suitable candidate has been identified, an independent chairman will be appointed.	2014
2.7. The Board should be responsible for the governance of risk.	The Risk Department reports directly to the Board through the Audit and Risk Committee.				
2.8. The Board should be responsible for Information Technology (IT) governance.	The Board approved the IT Governance Charter at its May sitting.				

Current level of compliance: Full ■ **Partial** ■ **None** ■

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
2.9. The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Compliance function is currently developing/ finalising a compliance framework through which it will be able to monitor compliance.				
2.10. The Board should ensure that there is an effective risk-based Internal Audit.	The Group is audited regularly by Sanlam internal auditors who audit in accordance with appropriate risk based methodologies. Additionally a senior internal auditor has been resourced within the Group to further improve on the ground efficiencies.				
2.11. The Board should appreciate that stakeholders' perceptions affect the company's reputation.	The Board manages market and stakeholder perceptions in accordance with a broad based Group wide communications and public relations strategy.			.	
2.12. The Board should ensure the integrity of the company's Integrated Report.	The Board reports annually on the performance of the company issues of corporate governance and annual financial statements in the Annual Report. Additionally preparation of this Annual Report is in compliance with the principles of good corporate governance.				
2.13. The Board should report on the effectiveness of the company's system of internal controls.	The Board, through the Audit and Risk Committee ensures that the internal controls and risk management practices are aimed at safeguarding its assets and resources. These internal controls are reviewed at least once a quarter.				
2.14. The Board and its directors should act in the best interests of the company.	Every director upon appointment is given an information pack comprising duties of a director in terms of the Companies Act, the Company's constitution, and the latest available annual report. In addition the directors fill in declarations of interest register once a year.				
2.15. The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	Assessments (going concern review) are done once a year as to whether the Group and each significant subsidiary is a going concern.				

KING III IMPLEMENTATION PROGRESS REPORT
(CONTINUED)

Current level of compliance: Full **Partial** **None**

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
2.16. The Board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	The Chairman of the Group and the Chairmen of each significant subsidiary are independent non-executive directors. The CEO of the Group is also not the Chairman of the Board. The same applies at each significant subsidiary.				
2.17. The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	The Board has appointed a CEO and the approval frameworks have been adopted at both the Group and significant subsidiaries at the August Board meeting sittings. The adopted approval framework is reviewed annually and smaller changes can be made on an ad hoc basis.				
2.18. The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Currently the Board comprises 9 non-executive directors out of a Board of 10 directors. Of the non-executive directors, 6 are independent.				
2.19. Directors should be appointed through a formal process.					
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes.					
2.21. The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	The appointment of the Company Secretary complies with the provisions of the Companies Act.				
2.22. The evaluation of the Board, its committees and the individual directors should be performed every year.	Evaluations of each of the Boards and its Committees are done annually.				
2.23. The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	All Board sub-committees' Chairmen and Chairmen of the main subsidiaries are members of the Board and report to the main Board as a permanent agenda item.				
2.24. A governance framework should be agreed between the Group and its subsidiary boards.	The Group has adopted a compliance statement based on the code published by the Financial Reporting Council of the UK				
2.25. Companies should remunerate directors and executives fairly and responsibly.	The Group completed a remuneration review, which was approved at the company's annual general meeting in June 2012. Remuneration is reviewed regularly to ensure that it is market related.				

Current level of compliance: Full ■ **Partial** ■ **None** ■

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
2.26. Companies should disclose the remuneration of each individual director and certain senior executives.	There is full disclosure of director's remuneration in the annual report.				
2.27. Shareholders should approve the company's remuneration policy.	The Company's remuneration policy has not yet been adopted by the Board and the Boards of the significant subsidiaries.			The remuneration policy is approved by the Board.	
Chapter 3 - Audit Committees					
3.1. The Board should ensure that the company has an effective and independent Audit Committee.	The Board has an effective and independent Audit and Risk Committee in place.				
3.2. Audit Committee members should be suitably skilled and experienced independent non-executive directors.	Both independent non-executive directors that sit on the Committee are eminent in their fields.				
3.3. The Audit Committee should be chaired by an independent non-executive director.	Currently the Committee is chaired by a non-executive director.			The Board is reviewing the appointment of an Audit Committee Chairman who is an independent non-executive Director.	2014
3.4. The Audit Committee should oversee integrated reporting.	The annual report is fully compliant with the key principles of integrated reporting.				
3.5. The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The BIHL CAM has been completed and is now in place.				
3.6. The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function.	Suitably qualified individuals have been appointed to oversee all financial aspects of the company.				
3.7. The Audit Committee should be responsible for overseeing of Internal Audit.	Internal Audit reports into the Audit and Risk Committee.				
3.8. The Audit Committee should be an integral component of the risk management process.	Currently the Committee establishes the extent to which management has established effective risk management in the Group by reviewing the risk policy and strategies for the Group.				
3.9. The Audit Committee is responsible for recommending the appointment of the External Auditor and overseeing the external audit process.	The Committee makes recommendations to the Board regarding the appointment of the External Auditors. The Committee also reviews the external audit plan to ensure that key significant areas are covered.				
3.10. The Audit and Risk Committee should report to the Board and shareholders on how it has discharged its duties.	The Chairperson of the Committee reports to each Board meeting and give feedback from the Committee's findings and recommended actions.				

KING III IMPLEMENTATION PROGRESS REPORT
(CONTINUED)

Current level of compliance: Full ■ **Partial** ■ **None** ■

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
Chapter 4 - The Governance of risk					
4.1. The Board should be responsible for the governance of risk.	BIHL Risk Assurance Framework, which includes the Risk Management Policy was approved at August Board sittings in 2012.			Policy reviewed annually.	
4.2. The Board should determine the levels of risk tolerance.	Group risk appetites and thresholds were approved at August Board sittings.				
4.3. The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	The Audit and Risk Committee has been delegated through the Audit and Risk Committee Charter and discusses the Risk Reports quarterly during Audit and Risk Committee meeting.			Ongoing	
4.4. The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Audit and Risk Committee has been delegated through the Audit and Risk Committee Charter and monitors risk through the risk management plan in terms of the Risk Policy.			Ongoing	
4.5. The Board should ensure that risk assessments are performed on a continual basis.	Risk assessments are conducted continuously in terms of the risk management plan and reported through the Risk Report. Self – assessments of the risk management framework are conducted and the result shared with the Board.			Ongoing	
4.6. The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Risk is identified, assessed and monitored in accordance with the risk management process in terms of the Risk Policy.			Ongoing	
4.7. The Board should ensure that management considers and implements appropriate risk responses.	Risk reports indicating identified risks and management action by management is submitted to the Board quarterly.			Ongoing	
4.8. The Board should ensure continuous risk monitoring by management.	The Board reviews the management action on the quarterly Risk Report			Ongoing	
4.9. The Board should receive assurance regarding the effectiveness of the risk management process.	A self–assessment exercise is conducted and the results shared with the Board.				
4.10. The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	A combined assurance model (CAM) exercise is conducted and the results shared with the Board.				

Current level of compliance: Full ■ **Partial** ■ **None** ■

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
Chapter 5 - The Governance of Information Technology					
5.1. The Board should be responsible for Information Technology (IT) Governance.	The Board approved the BIHL IT Governance Charter in May meeting. This sets out Boards responsibilities with respect to IT	Full	Full	Tight-loose matrix was delivered. On-going reporting at each Board meeting.	
5.2. IT should be aligned with the performance and sustainability objectives of the company.	IT department is represented at all subsidiary (business) strategy meetings in order that implementation of the business strategy is known and prepared for by IT.	Full	Full	Each subsidiary has an EXCO member who sits on the Group IT Steerco and is responsible for IT strategy.	
5.3. The Board should delegate to management the responsibility for the implementation of an IT Governance Framework.	There is an IT Steering Committee and various project Steerco's. IT Governance is executed through these as well as Exco's, Manco's.	Partial	Partial	Full operationalisation of the IT Steerco.	2014
5.4. The Board should monitor and evaluate significant IT investments and expenditure.	Approval for significant IT projects is sought from the board. The Board is kept informed on project progress by the project owner.	Full	Full	Ongoing	
5.5. IT should form an integral part of the company's risk management.	Done on an ongoing basis	Full	Full		
5.6. The Board should ensure that information assets are managed effectively.	The Board relies on Internal Audit to monitor but information is rigorously archived and retained far beyond the statutory 7 year requirement on the IT Platform. Information Security is not only about information in computers.	Partial	Partial	Information Security Policy for each subsidiary to be implemented in 2014, followed by a campaign to raise awareness of all staff.	2014
5.7. A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Reporting on IT is done through the Audit and Risk Committee.	Full	Full		
Chapter 6 - Compliance with laws, codes, rules and standards					
6.1. The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Compliance Policy approved at August 2012 Board Meeting.	Full	Full	The Policy is reviewed annually.	
6.2. The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	This is done as part of the induction of Directors.	Full	Full	Ongoing	2013
6.3. Compliance should form an integral part of the company's risk management process.	Implementation of the approved Compliance Policy has been done through presentations of various compliance tools forming part of the Policy to relevant stakeholders at the businesses. A Compliance Framework has been developed and presented for adoption	Full	Full		
6.4. The Board should delegate to management the implementation of an effective Compliance Framework and processes.	Compliance Framework developed in line with Compliance Policy has been shared with relevant stakeholders at the businesses for adoption.	Full	Full		

KING III IMPLEMENTATION PROGRESS REPORT
(CONTINUED)

Current level of compliance: Full Partial None

SUMMARY OF KING III PRINCIPLES	STATUS	2012	2013	ACTION PLANS FOR REMAINING ISSUES	DUE DATES
Chapter 7 – Internal Audit					
7.1. The Board should ensure that there is an effective risk-based internal audit.	There is an internal audit function provided by Sanlam. A senior local resource was appointed during the year.				
7.2. Internal audit should follow a risk-based approach to its plan.	Internal audit follow a risk-based approach				
7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Internal audit provides a written assessment of the controls on an annual basis.				
7.4. The Audit Committee should be responsible for overseeing internal audit.	Internal audit reports directly to the Audit and Risk Committee quarterly and their annual plan and budget are also approved by the audit committee				
7.5. Internal Audit should be strategically positioned to achieve its objectives.	The Internal Audit is strategically positioned to achieve its objectives.				
Chapter 8 - Governing stakeholder relationships					
8.1. The Board should appreciate that stake-holders' perceptions affect a company's reputation.	The Group is committed to a policy of effective communication and engagement with its stakeholders on issues of mutual interest.				
8.2. The Board should delegate to manage-ment to proactively deal with stakeholder relationships.	Management has been delegated the powers to deal with directives, financial results presentations, press conferences, personal meetings, client briefings, annual reports and preparations for the annual and other general meetings				
8.3. The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best inter-ests of the company.	The Board has the responsibility to ensure that satisfactory and transparent engagement takes place with all stakeholders				
8.4. Companies should ensure the equitable treatment of shareholders.	The Board must ensure that key company information is disseminated to all stakeholders at the same time.				
8.5. Transparent and effective communica-tion with stakeholders is essential for building and maintaining their trust and confidence.	There is the Annual Report, AGM and results announcements, and other press briefings.				
8.6. The Board should ensure that disputes are resolved effectively, efficiently and expeditiously as possible.	The Board takes a keen interest in ensuring that material disputes are resolved amicably.				
Chapter 9 – Integrated reporting and disclosures					
9.1. The board should ensure the integrity of the company's integrated report.	The Board reports annually on the performance of the company issues of corporate governance and annual financial statements in the Annual Report				
9.2. Sustainability reporting and disclosure should be integrated with the company's financial reporting.	The Board presents in the financial report a balanced and understandable assessment of the company's position and prospects.				
9.3. Sustainability reporting and disclosure should be independently assured.	Financial reporting is prepared in accordance with International Financial Reporting Standards and the Botswana Companies Act.				

Risk Management

Our Promise

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

Thanks to our robust balance sheet and sound financial strategy, our clients know that we will be able to deliver on the promises we make to them. We are therefore more aware than most, of the need for sound risk management and we continually identify and analyse risks to our own business so that we can continue to add value to all our stakeholders. We are committed to the highest standards of corporate governance. Currently, the accepted best practice for most countries in the Southern African region is provided by the King III Code of Corporate Governance, which we are phasing in to our operations.

The Group's risk policy guidelines set the framework for meeting the requirements of proper, consistent and forward-looking risk management and its integration into corporate strategy. Our aim is to increase risk awareness among all our staff and establish a value-based risk culture at all corporate levels. We analyse risks and opportunities transparently and systematically incorporate them into our business decisions.

Combined Assurance Model

Combined assurance allows visibility over what assurance is provided and by whom within the Group, and includes assessment regarding the adequacy of assurance. Through this process we are better able to understand our levels of assurance ,and where improvement is needed in order to effectively manage risk. BIHL implemented a Combined Assurance Model (CAM) at two of our subsidiaries, BLIL and Bifm in 2012, in line with principle 3.5 of the King III Code of Corporate Governance, in order to provide a coordinated approach across all assurance activities. The CAM is a living document and will be continuously updated with regard to changes in strategy, processes, and structure to ensure that all risks are adequately managed and reported to the appropriate forums. In this regard, an annual gap analysis of the document is carried out. We will next consider implementing the CAM approach at BIHL Sure!, when we consider the business size, maturity and timing to be appropriate. We have found that the CAM allows for a coordinated effort to identify and cover all key risks, with gaps on assurance oversight filled timeously. Reporting and transparency to the Board is improved, thus assisting disclosure to stakeholders. In addition, the Board and the Audit Risk Committee are able to rely on this document to satisfy themselves that significant risk areas have been identified and suitable controls are in place.

RISK REPORT (CONTINUED)

THREE LINES OF DEFENCE GOVERNANCE MODEL

First Line of Defence (Management)	Second Line of Defence (Internal Assurance Providers)	Third Line of Defence (External Assurance Providers)
• The first line of defence is management, as they are accountable for all risks in the organisation • Their accountability in managing risk is either implicit or explicit	• The risk function, forensics, compliance, actuarial and investment management function act as the second line of defence • The second lines of defence are there to assist management in mitigating by giving them advice and providing assurance on key risks	• The third line of defence is internal audit, external audit, statutory actuary and any other structures that may be used from time to time • These are the most independent assurance providers • Their assurance is more objective and as such they provide unbiased advice on the management of key risks

Compliance

Following approval of the Compliance Policy Charter and Group Anti-Money Laundering and Counter Financing Of Terrorism Policy by the BIHL Board in 2012, the next phase was to develop a Compliance Framework with the necessary tools, manuals, procedures and policies best suited to BIHL Group. The Framework is intended to create a compliance management environment that forms a part of the Group's overall risk management framework.

As part of this process, the following were developed:

- Regulatory Risk Control Book, comprising control standards and self-assessments to be performed by those responsible for checking adequacy of controls and levels of compliance with applicable legislation.

- Generic Review Pack for assessing areas of compliance from both an internal and external perspective. The review includes observations, sampling and information requests, interviews, and questionnaires.

- Manual for Handling Regulator Visits, which serves as a practical tool with templates for staff to respond appropriately to our industry regulator on office visits and inspections, whether announced or unannounced. The regulator has introduced a risk-based supervision model which will see greater scrutiny and oversight for regulated entities, including BIHL. We welcome the enhanced oversight and want all our staff members to prepare appropriately.

- Manual on Dissemination of New Legislation which functions as a blueprint for communicating new legislation, regulations or amendments to the respective business unit, and provides guidance on implementation.

- Regulatory Relationship Plan encouraging proactive engagement of regulators for cordial relationships going forward. This is a working document which encourages our businesses to plan ahead for engagement on issues or topics that are relevant to BIHL. In this way we can ensure that our people are continually informed of the latest developments and that our service to stakeholders is enhanced.

- Anti-Money Laundering Manual, which complements the Anti-Money Laundering and Counter-Terrorist Financing Policy. It aims to provide guidance on regulatory expectations and elaborates our obligations as financial institutions.

- Customer Due Diligence Procedure (CDD) serves as a basis for the "Know Your Customer" principles and sets out standards to observe when on-boarding new clients and maintaining existing clients. Mechanisms used by the businesses for due diligence purposes are included in the procedure. By establishing means for identifying those who we engage with, the procedure documents our commitment to combating money laundering.

- Suspicious Activity Reporting (SAR) Procedures provide guidance on the channels and approaches our staff should follow when reporting suspicious activities, as mandated by the Financial Intelligence Act.

Furthermore, the following policies were developed and approved by the BIHL Board in 2013:

- BIHL Group Gifts Policy, which sets out the procedure and process to follow regarding the giving and receiving of gifts within the BIHL Group. The policy is meant to provide guidance to employees so that they can avoid being unduly influenced through gifts and other items that may be tantamount to bribery or valuable consideration. It encourages transparency and disclosure for giving and receiving of gifts.

- BIHL Group Directors' Conflicts of Interest Policy, which guides Directors who may find themselves in potential or actual conflict of interest situations. The policy provides the processes and procedures to be followed in such instances.

- BIHL Group Directors' and Board Members' Code of Ethics, which sets the tone for the conduct of Directors and Board Members. It further provides guidance for their interaction with employees, members of the public, shareholders and other stakeholders. In essence the Code is a set of the minimum acceptable standards.

During 2014, we will focus on embedding the above policies, together with the Compliance Framework and all its tools, manuals and procedures, so that we can effectively identify, assess, monitor, report on compliance risk within the Group.

RISK REPORT (CONTINUED)

Risk Management

Risk Types

The Group is exposed to the following main risks:

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

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

RISK REPORT (CONTINUED)

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

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

Business Continuity Management

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

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

Continuity Centre

During the course of the year, a business continuity site for the entirety of BIHL was established. The site caters for mission critical processes in Group businesses. Business continuity tests will be conducted at the site annually to ensure BIHL remains prepared for any eventuality. A successful functionality test was conducted at the site in December 2013.

Business Continuity Plans

Business Continuity Plans were developed for all the group businesses. We will be conducting annual business continuity tests with disaster simulations to ensure our plans remain effective and up to date and our site is fully functional. Efforts to build a culture of business continuity awareness shall continue with the aim of having staff that fully understands its role in BCM and participates actively in ensuring the BIHL Group's resilience.

06

Annual financial statements

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

Nature of Business

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

Results for the Year

The Group reported a net profit, after tax, for the year to 31 December 2013 of P495 million (31 December 2012: P394 million). Shareholders' equity at 31 December 2013 was P2.405 billion (31 December 2012: P1.945 billion). The results are fully explained in the financial statements.

Stated Capital

The issued and fully paid share capital at 31 December 2013 and 2012 consists of 281,070,652 ordinary shares.

Dividends

A gross interim dividend of 15 thebe per share was declared during the year. The directors propose a final dividend of 35 thebe per share; making the total dividend for the year 50 thebe per share (31 December 2012: 35 thebe per share).

Directors' Shareholdings

The aggregate number of Botswana Insurance Holdings Limited shares held directly or indirectly by directors of the Company is 141,837 (31 December 2012: 146,586). Details of the holding of these shares are disclosed in note 19 to the financial statements.

Events Subsequent to the Balance Sheet Date

The directors are not aware of any matters or circumstances arising since the end of the financial period, not otherwise dealt with in this report or the Group Financial Statements that would have a significant effect on the operations of the Group or the results of its operations.

Directorate

B. Dambe-Groth	Chairman
C. Chauhan	
U. Corea	
J. Hinchliffe	
M. Mpugwa	
H. Werth	
M. Seboni	
R. Dommisse	
T. Gamedze	
T. Schultz	Resigned 04 July 2013
A. Roux	Appointed 04 July 2013
G. Hassam	Group Chief Executive Officer

Company Secretary and Registered Address

T. Chilume,
Block 5 Fairgrounds Financial Centre,
Plot 50374
P. O. Box 336,
Gaborone

Independent Auditors

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

Statutory Actuary

G.T. Waugh

Bankers

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

DIRECTORS' STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors of the Company are responsible for the annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Insurance Industry Act and the Companies Act of Botswana (Companies Act, 2003).

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

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

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

The annual financial statements set out here were authorised for issue by the board of directors on 13 May 2014 and were signed on their behalf by:

B Dambe-Groth	**G Hassam**
Chairman	Group Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

TO THE MEMBERS OF BOTSWANA INSURANCE HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying Group and Company annual financial statements of Botswana Insurance Holdings Limited, which comprise the statement of financial position as at 31 December 2013, income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 154 to 265.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Insurance Holdings Limited, Group and Company as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and the Botswana Insurance Industry Act (Cap:46:01).

Ernst + Young

Practicing Member : B. Ndwapi (19980026)
Certified Auditor

16th May 2014

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

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		GROUP			COMPANY	
	Note	Dec 2013 P'000	Restated Dec 2012 P'000	Restated Jan 2012 P'000	Dec 2013 P'000	Dec 2012 P'000
Assets						
Property and equipment	2	20,827	10,911	12,561	6,878	2,064
Intangible assets	3	150,898	154,001	146,735	4,929	6,589
Investment property	4.4	300,681	277,583	256,535	-	-
Investments in associates and joint ventures	4.5	1,439,221	1,268,707	993,583	-	-
Long-term Reinsurance assets	8.7	6,124	9,041	17,467	-	-
Financial assets at fair value through profit or loss		**11,293,287**	**12,735,404**	**9,861,031**	**-**	**-**
Bonds (Government, public authority, listed and unlisted corporates)	4.1	4,956,571	5,073,231	4,374,520	-	-
Equity investments (Local and foreign)	4.2	5,711,195	7,003,472	4,995,083	-	-
Policy loans and other loan advances	4.3	482,259	540,370	271,748	-	-
Money market instruments	4.1	143,262	118,331	219,680	-	-
Interest in subsidiaries	4.5	-	-	-	320,996	323,391
Deferred tax asset	10	2,344	190	194	-	-
Insurance and other receivables	5	238,677	182,799	191,699	1,251	1,578
Reinsurance contracts receivable	5.2	5,985	1,816	-	-	-
Deferred insurance acquisition cost	5.1	2,051	465	-	-	-
Tax refund due		26,973	15,412	-	2,968	-
Related party balances	19	-	-	-	7,715	11,474
Cash,deposits and similar securities	23	580,674	760,539	1,248,600	5,902	19,755
Total assets		**14,067,742**	**15,416,868**	**12,728,405**	**350,639**	**364,851**
Equity and Liabilities						
Equity attributable to equity holders of parent						
Stated capital	6	130,821	130,821	130,821	130,821	130,821
Non - distributable reserves	7	745,694	583,724	468,891	15,139	13,717
Retained earnings		1,528,886	1,230,416	1,091,083	18,382	67,598
Total equity attributable to equity holders of parent		2,405,401	1,944,961	1,690,795	164,342	212,136
Non- controlling interests	9	34,912	33,651	36,050	-	-
Total equity		**2,440,313**	**1,978,612**	**1,726,845**	**164,342**	**212,136**
Liabilities						
Policyholder liabilities under:	**8**	**11,123,239**	**12,966,214**	**10,587,045**	**-**	**-**
Insurance contracts		6,809,709	5,592,072	4,573,612	-	-
Investment contracts		4,313,530	7,374,142	6,013,433	-	-
Deferred tax liability	10	23,790	17,939	12,726	-	-
Insurance and other payables	11	451,978	435,413	384,074	25,717	33,988
Short term insurance contract liabilities	11.1	22,740	8,953	-	-	-
Deferred reinsurance acquistion revenue	11.5	1,419	323	-	-	-
Tax payable		1,222	5,257	11,024	-	638
Related party balances	19	3,041	4,157	6,691	160,580	118,089
Total equity and liabilities		**14,067,742**	**15,416,868**	**12,728,405**	**350,639**	**364,851**

GROUP CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	GROUP Year to 31 December 2013 P'000	GROUP Year to 31 December 2012 P'000	COMPANY Year to 31 December 2013 P'000	COMPANY Year to 31 December 2012 P'000
Revenue					
Net insurance premium income	12	**1,886,445**	**1,949,585**	**-**	**-**
Gross Insurance premium income		1,897,945	1,970,413	-	-
Insurance premium ceded to reinsurers		(11,500)	(20,828)	-	-
Other income		**3,036,277**	**1,162,607**	**98,565**	**158,105**
Fee revenue		98,039	74,700	-	-
Investment income	13	595,111	628,915	98,565	158,105
Profit on sale of subsidiary	4.6	-	6,075	-	-
Net gains from financial assets held at fair value through profit or loss	13.1	2,343,127	452,917	-	-
Total revenue		**4,922,722**	**3,112,192**	**98,565**	**158,105**
Net insurance and investment contract benefits and claims		**(4,000,278)**	**(2,314,707)**	**-**	**-**
Gross insurance benefits and claims	14	(1,066,430)	(914,906)	-	-
Reinsurance claims	14	6,693	10,730	-	-
Change in liabilities under investment contracts		(1,719,987)	(383,646)	-	-
Change in policyholder liabilities under insurance contracts	8.8	(1,217,637)	(1,018,459)	-	-
Change in contract liabilities ceded to reinsurers	8.8	(2,917)	(8,426)	-	-
Expenses		**(532,252)**	**(508,636)**	**(50,101)**	**(29,356)**
Sales remuneration		(243,491)	(219,165)	-	-
Administration expenses	15	(288,761)	(289,471)	(50,101)	(29,356)
Profit before share of profit of associates and joint ventures		390,192	288,849	48,464	128,749
Share of profit of associates and joint ventures	4.5	189,202	196,482	-	-
Profit before tax		579,394	485,331	48,464	128,749
Tax expense	16	(84,621)	(90,936)	(6,683)	(12,443)
Profit for the year		**494,773**	**394,395**	**41,781**	**116,306**
Profit attrrbutable to:					
- Equity holders of the parent		492,500	390,918	41,781	116,306
- Non-controlling interests		2,273	3,477	-	-
		494,773	**394,395**	**41,781**	**116,306**
Earnings per share (thebe)					
- basic	17	183	146		
- diluted	17	181	145		

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	GROUP		COMPANY	
		Year to 31 December 2013 P'000	Year to 31 December 2012 P'000	Year to 31 December 2013 P'000	Year to 31 December 2012 P'000
Profit for the year		494,773	394,395	41,781	116,306
Other comprehensive income					
Exchange differences on translation of foreign operations		21,944	10,718	-	-
Total comprehensive income for the year		**516,717**	**405,113**	**41,781**	**116,306**
Total comprehensive income attributable to:					
- Equity holders of the parent		514,444	401,636	41,781	116,306
- Non-controlling interests		2,273	3,477	-	-
		516,717	405,113	41,781	116,306

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
	Stated capital P'000	Treasury shares P'000	Share based payment reserve P'000	Statutory capital reserves P'000	Solvency reserve P'000
GROUP					
For the year ended 31 December 2012					
Opening balances	130,821	(112,348)	68,433	573,560	954
Foreign currency translation	-	-	-	-	-
Profit for the year	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Share based payment expense	-	-	3,122	-	-
(Transfer to statutory reserve)/ Transfer from retained income	-	-	5,245	67,146	(8)
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	11	-	-	-
Dividends paid	-	-	-	-	-
Share Trust vested treasury shares	-	24,026	-	-	-
Disposal of subsidiary	-	-	-	-	-
Balance at 31 December 2012	**130,821**	**(88,311)**	**76,800**	**640,706**	**946**
For the year ended 31 December 2013					
Opening balances	130,821	(88,311)	76,800	640,706	946
Foreign currency translation	-	-	-	-	-
Profit for the year	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**
Share based payment expense	-	-	6,248	-	-
Other movements in consolidation reserve, treasury shares reserves and statutory reserves	-	-	-	93,177	-
(Transfer from consolidation reserve)/ Transfer to retained income	-	-	-	-	-
Cost of treasury shares (acquired)/disposed	-	1,324	-	-	-
Dividends paid	-	-	-	-	-
Share Trust vested treasury shares	-	9,946	-	-	-
Balance at 31 December 2013	**130,821**	**(77,041)**	**83,048**	**733,883**	**946**
COMPANY					
For the year ended 31 December 2012					
Opening balances	130,821	-	3,183	9,762	-
Profit for the year	-	-	-	-	-
Share based payment expense	-	-	772	-	-
Dividends paid	-	-	-	-	-
Balance at 31 December 2012	**130,821**	**-**	**3,955**	**9,762**	**-**
For the year ended 31 December 2013					
Opening balances	130,821	-	3,955	9,762	-
Profit for the year	-	-	-	-	-
Share based payment expense	-	-	1,422	-	-
Dividends paid	-	-	-	-	-
Balance at 31 December 2013	**130,821**	**-**	**5,377**	**9,762**	**-**

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Foreign currency translation reserve P'000	**Consolidation reserves P'000**	**Total-non-distributable reserve P'000**	**Retained income P'000**	**Total P'000**	**Non-controlling interest P'000**	**Total Equity P'000**
34,660	(96,368)	468,891	1,091,083	1,690,795	36,050	1,726,845
10,718	-	10,718	-	10,718	1,822	12,540
-	-	-	390,918	390,918	3,477	394,395
10,718	-	10,718	390,918	401,636	5,299	406,935
-	-	3,122	-	3,122	-	3,122
-	-	72,383	(67,404)	4,979	-	4,979
-	4,405	4,405	(4,405)	-	-	-
-	168	179	-	179	-	179
-	-	-	(157,400)	(157,400)	-	(157,400)
-	-	24,026	(22,376)	1,650		1,650
-	-	-	-	-	(7,698)	(7,698)
45,378	**(91,795)**	**583,724**	**1,230,416**	**1,944,961**	**33,651**	**1,978,612**
45,378	(91,795)	583,724	1,230,416	1,944,961	33,651	1,978,612
21,944	-	21,944	-	21,944	-	21,944
-	-	-	492,500	492,500	2,273	494,773
21,944	**-**	**21,944**	**492,500**	**514,444**	**2,273**	**516,717**
-	-	6,248	-	6,248	-	6,248
-	-	93,177	(67,106)	26,071	-	26,071
-	21,952	21,952	(21,952)	-	-	-
-	7,379	8,703	-	8,703	-	8,703
-	-	-	(98,375)	(98,375)	(1,012)	(99,387)
-	-	9,946	(6,597)	3,349	-	3,349
67,322	**(62,464)**	**745,694**	**1,528,886**	**2,405,401**	**34,912**	**2,440,313**
-	-	12,945	96,887	240,653	-	240,653
-	-	-	116,306	116,306	-	116,306
-	-	772	-	772	-	772
-	-	-	(145,595)	(145,595)	-	(145,595)
-	**-**	**13,717**	**67,598**	**212,136**	**-**	**212,136**
-	-	13,717	67,598	212,136	-	212,136
-	-	-	41,781	41,781	-	41,781
-	-	1,422	-	1,422	-	1,422
-	-	-	(90,997)	(90,997)	-	(90,997)
-	**-**	**15,139**	**18,382**	**164,342**	**-**	**164,342**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	GROUP Year to 31 December 2013 P'000	GROUP Year to 31 December 2012 P'000	COMPANY Year to 31 December 2013 P'000	COMPANY Year to 31 December 2012 P'000
Net cashflows from operating activities		(3,971,630)	1,927,177	22,545	22,347
Cash (utilised in) /generated from operations	22	(4,427,313)	1,690,916	32,645	33,904
Interest received		453,687	329,167	190	248
Dividend received from equity investments		145,244	123,419	-	-
Dividends received from subsidiaries		-	-	90,997	145,595
Dividends received from associates		41,955	35,965	-	-
Tax paid	16.1	(94,206)	(106,695)	(10,290)	(11,805)
Dividends paid		(90,997)	(145,595)	(90,997)	(145,595)
Net cashflows utilised in investing activities		3,791,765	(2,415,238)	(36,399)	(14,915)
Purchase of property and equipment	2	(14,377)	(4,521)	(5,454)	(1,320)
Purchase of computer software	3	(5,204)	(13,689)	(280)	(7,481)
Increase in investment in subsidiary	4.5	-	-	(30,665)	(6,114)
Purchase of investment properties	4.4	-	(86,676)	-	-
Proceeds from sale of property		-	1,779	-	-
Disposal of subsidiary, net of cash disposed	4.6	-	(4,697)	-	-
Investment in associate	4.5	(23,267)	(114,607)	-	-
Net movement in investments		3,834,613	(2,192,827)	-	-
Net (decrease)/ increase in cash and cash equivalents		(179,865)	(488,061)	(13,854)	7,432
Cash and cash equivalents at the beginning of the year		760,539	1,248,600	19,756	12,323
Cash and cash equivalents at the end of the year	**23**	**580,674**	**760,539**	**5,902**	**19,755**

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2013

1. General information

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

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

The Group's ultimate parent company, Sanlam, holds 56% of the Company's stated capital. Sanlam is one of the leading financial services groups in South Africa. It is listed on the JSE Securities Exchange in Johannesburg and on the Namibian Stock Exchange.

2. Basis of preparation

The Group's annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Companies Act (Companies Act 2003), the Botswana Insurance Industry Act (Cap:46:01) and the Botswana Stock Exchange Act. The financial statements have been prepared on the historical cost convention, modified by measurement at fair value for financial assets, policyholder liabilities and investment properties

All amounts in the notes are shown in thousands of Pula (P'000) which is the Group's functional and presentation currency. All values are rounded to the nearest thousand, unless otherwise stated.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance business are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS and generally accepted actuarial practice. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on page 192. The Financial Soundness Valuation methodology as outlined in the report of the Statutory Actuary is equivalent to the liability adequacy test.

3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Insurance Industry Act (CAP 46:01), the Botswana Companies Act (Companies Act, 2003) and the Botswana Stock Exchange Act. The accounting policies of the Group are the same as the accounting policies for the Company, except for accounting policies regarding the investments in subsidiaries, associates and joint ventures.

4. Changes in accounting policies

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1
The amendments to IAS 1 required changes to the presentation of other comprehensive income. Items that would be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The effective date of the amendment was 1 July 2012. This amendment has not impacted the Group as all assets and liabilities carried at fair value are fair-valued through profit and loss.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Changes in accounting policies (continued)

IFRS 7 Disclosures – Offsetting of Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments required an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendments did not have any impact on the disclosures for the Group as the Group does not have netting off arrangements.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.
IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee

And
- The ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control)
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control
- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control
- Consolidation is required until such time as control ceases, even if control is temporary

The Group has assessed all its investments and no reclassifications were required. The standards are effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively.

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

In addition, IAS 28 was amended to include the application of the equity method to investments in joint ventures.

The adoption of IFRS 11 did not have any impact on the financial performance or position of the Group as the Joint ventures held by the Group still maintained their definition after the adoption of the standard. The adoption of IAS 28 did not impact the Group's financial position because the Group has always been equity accounting joint ventures.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. There are no unconsolidated structured entities. IFRS 12 disclosures are provided in Notes 9.1. IFRS 12 is applied retrospectively from 1 January 2013 for disclosures of interests in other entities.

IFRS 13: Fair value measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.
The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. IFRS 13 is applied prospectively from 1 January 2013 for all fair value measurements.

Amendments to IAS 19 Employee Benefits
The amendments of IAS 19 remove the option to defer the recognition of actuarial gains and losses, the corridor mechanism. All changes in the defined benefits plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013 and the standard is applied retrospectively. The adoption of these amendments will have no impact as the Group participates in a defined contribution scheme. The amendment also clarifies the short-term employee benefits will be classified to this category on the basis of expected settlement and no longer when the benefit is due to be settled. Consequently some short-term benefits could be classified as other long-term benefits. A change in classification of the employee benefits could impact the measurement and disclosures of the related benefits.

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

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

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

The estimated effective date of IFRS 9 is 1 January 2018.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Changes in accounting policies (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
The amendments clarify that rights of set-off referred to in IAS 32 must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event.

These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not have derivatives and does not expect the standard to have a material financial impact in future financial statements.

Improvements to International Financial Reporting Standards – 2009-2011 Cycle
In the 2009-2011 annual improvements cycle, the IASB issued six amendments to five standards, summaries of which are provided below.

The amendments are applicable to annual periods beginning on or after 1 January 2013. Earlier application is permitted and must be disclosed. The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IAS 1 Presentation of Financial Statements

Clarification of the requirements for comparative information
- The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
- An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements.
- The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. For example, the beginning of the preceding period for a 31 December 2014 year-end would be 1 January 2013. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet.

IAS 16 Property, Plant and Equipment

Classification of servicing equipment

- The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory, but property, plant and equipment

IAS 32 Financial Instruments: Presentation

Tax effects of distributions to holders of equity instruments

- The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting

Interim financial reporting and segment information for total assets and liabilities

- The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments.
- Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

5. Abbreviations and key

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

A glossy of insurance specific terminology:

Insurance contract	A contract under which one party (the insurer) accepts significant insurance from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

5. Abbreviations and key (continued)

Unearned premiums	Reserve for premiums received for which the underlying risks have not yet expired. This reserve is released over the term of the contract as the underlying risk expires.
Discretionary Participation Feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits: a) that are likely to be a significant portion of the total contractual benefits; b) whose amount or timing is contractually at the discretion of the issuer; and c) that are contractually based on: i) the performance of a specified pool of contracts or a specified type of contract ii) realised and/or unrealised investment returns on a specified pool of assets held by the insurer; or iii) the profit or loss of the company, fund or other entity that issues the contract.
Liability adequacy test	Reassessment of the sufficiency of the insurance liability to cover future insurance obligations.
PVIF	Present value of the entity's interest in the expected pre-tax cash flows of the in-force business acquired.
DAC	Direct and indirect costs incurred during the writing or renewing of an insurance contract, which are deferred, to the extent that these costs will be recovered out of future revenue margins.
Deferred revenue	Initial and other front end fees for rendering future investment management services, which are deferred and recognised as revenue when the related services are rendered.
Assumptions	Underlying variables and uncertainties which are taken into account in determining values, which could be insurance contract liabilities or financial assets at fair value.
Benefit experience variation	Difference between the expected benefit payout and the actual payout.
IBNR	Claims incurred by the policyholder but not yet reported to the insurance company.
Embedded value	This is an estimate of the economic worth of a life insurance business. The measurement principles however do differ from the measurement principles under IFRS.
IFRS 4	International Financial Reporting Standard that regulates Insurance Contracts.

A glossy of share-based payment specific terminology:

Cash-settled share based payment transaction	A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash as consideration for equity instruments of its parent (including shares or share options).
Equity-settled share-based payment transaction	A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).
Employees and others providing similar services	Individuals who render personal services to the entity and either (a) the individuals are regarded as employees for legal or tax purposes, (b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, or (c) the services rendered are similar to those rendered by employees. For example, the term encompasses all management personnel, i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including non-executive directors.
Equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
Equity instrument granted	The right (conditional or unconditional) to an equity instrument of the entity conferred by the entity on another party, under a share-based payment arrangement.
Fair value	The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.
Grant date	The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.
Intrinsic value	The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares. For example, a share option with an exercise price of P15 on a share with a fair value of P20 has an intrinsic value of P5.
Market condition	A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

5. Abbreviations and key (continued)

Measurement date	The date at which the fair value of the equity instruments granted is measured for the purposes of IFRS 2. For transactions with employees and others providing similar services, the measurement date is grant date. For transactions with parties other than employees (and those providing similar services), the measurement date is the date the entity obtains the goods or the counterparty renders service.
Share-based-payment arrangement	An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive cash or other assets of the entity for amounts that are based on the price (or value) equity instruments (including shares or share options) of the entity, or another group entity, or equity instruments of the entity (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.
Share-based-payment transaction	A transaction in which the entity (a) receives good or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services (including an employee) in a share-based payment arrangement, or (b) incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods and services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.
Share option	A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specified period of time.
Vest	To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.
Vesting conditions	The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the employee or supplier to complete a specific period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profits over a specified period of time). A performance condition might include a market condition.
Vesting period	The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

6. Significant accounting judgements, estimates and assumptions

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

(i) Estimate of future benefit payments and premiums arising from long-term insurance contracts and other intangible assets
The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group 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 2013 was P6,810 million (31 December 2012: P5,592 million).

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

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

Carrying amount at year end P482.3 million (2012: P540.4 million).

(iii) Impairment of financial assets
The investments in unlisted equity instruments, debentures and other loans have been impaired based on the expected cash flows, discounted at the effective interest rates. This impairment requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to significant judgement uncertainty. Impairment losses written off in the current year amounted to PNIL million (31 December 2012: PNIL 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 such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. There were no impairment losses written off during the year.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

6. Significant accounting judgements, estimates and assumptions (continued)

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

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

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

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

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group 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 P6,810 million (31 December 2012: P5,592 million)

> Bonus stabilisation reserves
The group business and individual stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the actuarial liabilities, a positive bonus stabilisation reserve is created which will be used to enhance future bonuses. Conversely, if the fair value of assets is less than the actuarial liabilities, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Bonus stabilisation reserves are included in long-term policy liabilities. The carrying value included in the liabilities is P34.0 million (31 December 2012: P23.5 million)

> *Provision for future bonuses*
Future bonuses of 3% (31 December 2012: 3%) per annum are allowed for in the Financial Soundness Valuation.

> *Reversionary bonus business*
The business is valued on a prospective basis assuming 3% (31 December 2012: 3%) per annum bonus rates going forward and allowing for prescribed margins. Bonus stabilisation reserves have been established.

> *Individual stable bonus and market-related business*
For policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. No discretionary margins are held on this business, except to the extent that negative Pula reserves are eliminated. The carrying amount is P52.7 million (31 December 2012: P51.4 million)

> *Participating annuities*
There are very few such policies on the book. Those that are participating annuities have been in force for five years on average. The carrying amount of participating annuities is P50.7million (31 December 2012: P48.3 million) of which P8.3 million is for future bonus appropriations.

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

All profits or losses accrue to the shareholders when incurred. A discretionary margin is held for this block of business. The carrying amount for non-participating annuity business is P4.3 billion (Dec 2012: P3.4 billion)

> *Other non-participating business*
Other non-participating business forms less than 6% of the total liabilities. Most of the other non-participating business liabilities are valued on a discounted cash flow basis at interest rates based on the applicable bond yield curve at the valuation date. The carrying amount (net of reinsurance) for other non-participating business is P374.3 million (Dec 2012: P313.7 million)

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

> *Provision for minimum investment return guarantees*
In addition to the liabilities described above, provision is made consistent with actuarial guidance note APN 110 for the possible cost of minimum investment return guarantees provided by the annuity business. Additional mismatch reserves are also held on the annuity business. The carrying amount for the mismatch reserve is P69.7 million (Dec 2012: P26.5 million)

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

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

(viii) Estimates of claims incurred but not reported (IBNR)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

6. Significant accounting judgements, estimates and assumptions (continued)

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques

As the company does not have significant history of claims from which to develop a claims development pattern, industry averages are used to estimate the IBNR reserve at year end combined with management's evaluation of the relationship between the business lines and the industry rates. The average industry rates are based on 10% of net written premiums after considering the insurance premiums. The claims provision for Legal Guard are based on 10% of claims as allowed by the regulator.

(ix) Unearned premium
Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. The business uses 1/365ths for UPR calculation based on each policy. This is applicable to short term insurance and not Legal Guard which for all intents and purposes is a monthly policy. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

(x) Unexpired risk provisions
An unexpired risk provision is made for 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 balance sheet date. Unexpired risks surpluses and deficits are aggregated where business classes are managed together. No unexpired risk provision was raised at 31 December 2013 or 31 December 2012.

(xi) Fair value measurement
A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market 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.

- Revalued land and buildings
- Investment property (note 4.4)
- Financial instruments (notes 4, 5,11, and 25)

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

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

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

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

(xiii) Significant influence
Significant influence is presumed to exist (or not exist) when an entity holds 20% or more (or less than 20%) of the voting rights of another entity, unless it can be clearly demonstrated otherwise. The Group holds between 20% and 49% in the various associates as per note 4.5 over which the Group has determined that it holds significant influence.

7. Off-balance sheet segregated funds

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

8. Summary of significant accounting policies

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

Specifically revenue is recognised as follows:

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

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

b) Investment income
Interest income is accounted for by the effective interest rate method

Non-cancellable minimum lease payments under operating leases are recognised on a straight line basis in the income statement over the lease term. Contingent rental income is recognised when due. The difference between rental income on a straight-line and accrual basis is adjusted for when determining the fair value of the investment properties (subject to operating leases) at fair value.

Dividend income is recognised when the shareholder's right to receive payment is established through approval by the shareholders.

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

d) Fee income – long-term policy contracts
Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

e) Premium income
The monthly premiums in terms of the policy contracts are accounted for when due. Group life insurance premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. Single premiums on insurance contracts are recognised as income when received.

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

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

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

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

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

f) Reinsurance premiums
Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

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

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

g) Reinsurance recoveries
The Group cedes insurance risk on risk policies with an insured value that exceeds a certain threshold which is set and revised by management from time to time. Reinsurance assets represent balances due from reinsurance companies. Reinsurance asset amounts are estimated in a manner consistent with the outstanding claims provision and the long term insurance liabilities and are in accordance with the reinsurance contract.
Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts.

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. As at year end the reinsurance contracts the Group entered into during the year had impact of P0.92 million loss (31 December 2012: P1.3 million loss) on the Group profit.

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

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

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

Benefits, claims and expenses recognition

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

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

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

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

Income from reinsurance policies are recognised concurrently with the recognition of the related policy benefit.

Premiums payable on reinsurance are recognised when due.

Claims handling costs are accounted for separately.

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries as at 31 December 2013. The reporting dates of the subsidiaries and the Group are within three months of the Group's reporting date and all use consistent accounting policies.

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

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

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

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

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

Where the reporting date of the subsidiary is different from the Group, adjustments are made for the effects of any major transactions or events that occur between the reporting date of the subsidiary and that of the Group.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
Investment in subsidiaries, associates and joint ventures are recognised at cost less accumulated impairment losses only in the Company's financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

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

The year ends of some of the associates do not coincide with that of the Group. Where the reporting date of any of the associates is different from that of the Group, adjustments are made for the effects of any major transactions or events that occur between the reporting date of the associate and that of the Group.

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

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

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

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

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

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

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

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

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

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities are designated at initial recognition as at fair value through profit or loss if the following criteria are met:
(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
(ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
(iii) the financial liability contains an embedded derivative that would need to be separately recorded.

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

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

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

Impairment of financial assets and non-financial assets

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

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been at the measurement date, had the impairment not been recognised in the past. The amount of the reversal is recognised in profit or loss.

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

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

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

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

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

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

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

Foreign currency translation

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

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

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

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on straight line basis to write off the cost of each asset to its residual value over its estimated useful life as follows;

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

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

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

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

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

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

(i) Computer software
Generally costs associated with purchasing computer software programmes are recognised as an expense as incurred. However, 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 are recognised as intangible asset only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the ability of resources to complete and the availability to measure reliably the expenditure during the development. Computer software development costs recognised as assets are amortised in the income statement on the straight-line method over their useful lives, not exceeding a period of three years and are carried in the balance sheet at cost less accumulated amortisation and accumulated impairment losses.

The carrying amount, useful lives and amortisation methods of assets are reviewed and adjusted if appropriate at each reporting date.

(ii) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquire 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 remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Deferred acquisition costs
Acquisition costs, which represent commissions and other related expenses, are deferred over the period in which the related general insurance premiums are earned and are recognised in full through the profit and loss for the period they relate to. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period.

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

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

Taxes and Value Added Tax (VAT)

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

(iii) Value Added Tax (VAT)
Revenue, expenses and assets are recognised net of the amount of the VAT except:

- where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

- receivables and payables that are stated with the amount of VAT included.

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

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

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

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

Employee benefits

(i) Pension obligations

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

Contributions are recognised as expenses when incurred.

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

There are no post-retirement medical funding requirements.

(iii) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are normally paid off within 12 months, hence they are not discounted.

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

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

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

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

(vi) Share-based compensation
Employees of the Group receive remuneration in the form of share-based payment compensation, whereby employees render services as consideration for equity instruments. Until 2009, the group has been operating an equity settled group share based payment scheme. The scheme is divided into two, one for management staff and one for other staff. The objective of the scheme was to retain staff. The scheme will continue until the entire granted shares vest but there will not be any new allocations under the scheme. Transactions within the management scheme and the staff scheme are accounted for as equity settled.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 21.

For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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

Dividends
Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Hence dividends proposed or declared after the period ends are not recognised at the statement of financial position date. Dividends that are approved after the statement of financial position date but before the financial statements are authorised for issue are disclosed by way of a note to the financial statements together with the related per share amount. The withholding taxes are accrued for in the same period as the dividends to which they relate.

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

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

Leases (where the Group is the lessee)

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

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

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

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

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

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

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

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

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

Long-term reinsurance contracts
Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

The Group assesses its long-term reinsurance assets for impairment bi-annually. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged to the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

Insurance Contract 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 cashflows

- To provide against reinvestment risk that arises as a result of the duration of the assets being shorter than the liabilities. The shorter term of the assets may result in future asset proceeds being re-invested on less favourable terms than were available at policy inception. The Group is exposed to financial risk if the investment returns on re-invested asset proceeds are lower than were allowed for in the product pricing.

Valuation bases and methodology
The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement are set out below.

The value of policy liabilities at 31 December 2013 exceeds the minimum requirements in terms of the Botswana Insurance Industry Act and NBFIRA's IPR1L.

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 net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is based on current assumptions. Furthermore, the liability for life insurance comprises provision 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 or receivable 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.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

Investment contract liabilities
Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position, known as deposit accounting.

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

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

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

Investment contracts expose the investor to financial risks.

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

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

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012

The Group monitors capital using a capital adequacy requirement. Capital adequacy implies the existence of a buffer against experience worse than assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities.

The Group complied with all externally imposed capital requirements. The provisions of the Botswana Insurance Industry Act require that 25% of the surplus arising in a year should be transferred to this reserve. This reserve can be utilised at least once every five years to increase the paid up stated capital of the Group.

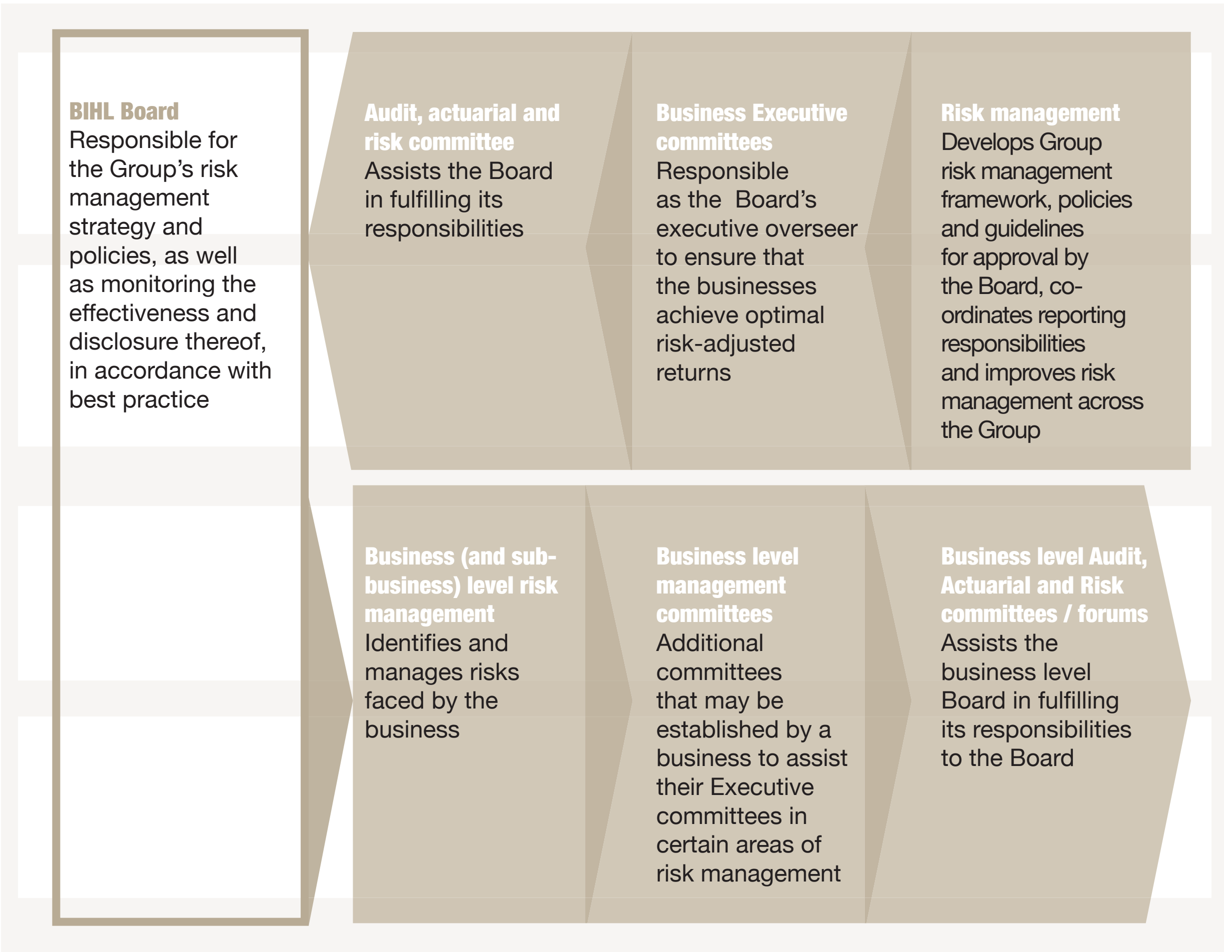
Capital includes shareholders equity and long-term debt. As at year end there was no long term debt.

	2013 P'000	2012 P'000
Shareholder's equity	2,405,401	1,944,715
Prescribed Capital Target (Life business only)	151,900	158,200
Ratio of Excess Assets to Presecribed Capital Target (Life business only)	9.2	7.2

Governance structure

The agenda of the BIHL Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and BSE requirements. The BIHL Board is responsible for statutory matters across all BIHL businesses as well as monitoring operational efficiency and risk issues throughout the Group. Refer to the Corporate Governance Report on page 123 for further information on the responsibilities of the BIHL Board and its committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the BIHL Board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the BIHL Board.



BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

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

OTHER RISK MONITORING MECHANISMS		
BIHL Board: Reviews and oversees the management of the Group's capital base	**Actuarial Committee:** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	
Compliance: Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof	**Group Risk Forum:** Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the BIHL Board	**Non-listed Asset Review:** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the BIHL Board
Chief Financial Officer: Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial:** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques	**Group Governance/ Secretariat and Public Officers:** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters
Forensics: Investigates and reports on fraud and illegal behaviour	**Investment Committees:** Determines and monitors appropriate investment strategies for policyholder solutions	**Group IT Risk Management:** Manages and reports Group-wide IT risks
Risk Officer (per business): Assists business management in their implementation of the Group risk management process, and to monitor the business' entire risk profile	**Internal Audit:** Assists the BIHL Board and management by monitoring the adequacy and effectiveness of risk management in businesses	

Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are:

- The BIHL Group Enterprise Risk Management (ERM) Policy;
- Group Risk Escalation Policy;
- Group Business Continuity Management Policy;

These policies were developed by Group Risk Management and have to be implemented by all Group businesses. The maturity of the implementation does however vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Group Risk Forum meetings, risk management reports by each business are tabled that must also indicate the extent of compliance with the ERM Policy.

BIHL Group Enterprise Risk Management Policy

The Group ERM policy includes the following components:

- The broad objectives and philosophy of risk mange, management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

BIHL Group Risk Escalation policy

The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the BIHL Group level. This includes quantifiable and unquantifiable measure.

General operational risks

Operational risk
Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions. Control is further strengthened by the settlement of transactions through custodians. The custodians are also responsible for the safe custody of the business's securities. To ensure validity, all transactions are confirmed with counter-parties independently from the initial executors.

The business has a risk-based internal audit approach, in terms of which priority is given to the audit of higher risk areas, as identified in the planning phase of the audit process. The internal control systems and procedures are subject to regular internal audit reviews.

The BIHL Investment Committee is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters.

The following functionaries assist in mitigating operational risk:

Internal audit
A board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The internal audit function is appointed in consultation with the chairman of the Audit and Risk Committee and has unrestricted access to the chairman of the Committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit
The Group's external auditors are Ernst & Young. The report of the independent auditors for the year under review is contained on page 158 of this annual report. The external auditors provide an independent assessment of certain systems of internal financial control which they may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. A compulsory rotation of audit partners has also been implemented.

External consultants
The Group appoints external consultants to perform an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Information and technology risk
IT risks are managed across the Group in an integrated manner following the Enterprise Risk Management framework. Group IT is the custodian of the Group's IT Policy framework and ensures explicit focus on, and integration with the Group's IT Governance framework, which includes the governance of Information Security. The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. A quarterly IT Governance report, summarising the Group-wide situation is also delivered to the Risk and Compliance committee.

Going concern /business continuity risk
The Board regularly considers and records the facts and assumptions on which it relies to conclude that BIHL will continue as a going concern. Reflecting on the year under review, the Directors considered an opinion that adequate resources exist to continue business and that BIHL will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. 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's reserving policy is based on actual experience to ensure that adequate provision is made for lapses.

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

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

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

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

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

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

Long term insurance risk
The Investment Committee and Actuarial Committee are established within the long-term insurance businesses. The principle aim of these committees is to ensure that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders. Separate asset portfolios are maintained for the different products and categories of long-term policy liabilities.

The business's long-term insurance operations are subject to the general operational risks described above, but also to specific long-term insurance risks, which include the following:

Risk management: per type of risk

Underwriting risk
Underwriting risk is the uncertainty about the ultimate amount of net cash flows from premiums, commissions, claims, and claim settlement expenses paid under a contract and timing risk, defined as "uncertainty about the timing of the receipt and payment of those cash flows.

Insurance events are random and the actual number and amount of claims will vary from estimates. The business manages these risks through its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks. It also ensures adequate reinsurance arrangements are in place to limit exposure per individual and manage concentration of risks, the claims handling policy and adequate pricing and reserving. Half yearly actuarial valuations are also performed to assist in the timely identification of experience variances.

Underwriting strategy
The following policies and practices are used by the business as part of its underwriting strategy to mitigate underwriting risk:
- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The Statutory Actuary approves the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/AIDS is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS;

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Reasonable income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of substandard risks;
- The right to re-rate premiums is retained as far as possible. The risk premiums for group risk business and most of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first 5 to 15 years;
- Risk profits are determined monthly;
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary; and
- Expenses are continuously monitored and managed through the business's budgeting process

Reinsurance
All risk exposures in excess of specified monetary limits are reinsured. Credit risk in respect of reinsurance is managed by limiting the business's exposure to companies with high international or similar credit ratings.

Claims risks
The risk that the business may pay fraudulent claims (claims risk) is mitigated by training client service staff to ensure that fraudulent claims are identified and investigated timeously. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Non-participating annuities
Interest rate risk is the principle financial risk in respect of non-participating annuities, given the long-term profile of these liabilities. Liabilities are matched with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The impact of a 1% parallel movement is shown below:

	December 2013	December 2012
The mean duration of non-participating annuity liabilities is:	8.90 years	7.96 years
The mean duration for the supporting assets is:	7.70 years	7.23 years

The loss from a 1% parallel rise in interest rates is approximately P41.9 million (2012: P3.6 million for a 1% fall)

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

Policy liabilities in respect of Insurance contracts

2013

Pmillion	Base value	Investment returns	Expenses	Expense inflation	Lapse and surrender rates	Mortality and morbidity rates
		-1%	+10%	+1%	-10%	+5% (-5% for annuities)
Individual Life Business	2,074,576	2,083,259	2,090,603	2,082,216	2,080,579	2,078,860
Annnuity Business	4,368,934	4,365,126	4,372,773	4,374,070	4,368,934	4,402,668
Group Life Business	360,073	360,073	361,153	360,236	360,073	371,776
Total	**6,803,584**	**6,808,459**	**6,824,529**	**6,816,522**	**6,809,587**	**6,829,898**

P'000	Base value	Investment returns	Expenses	Expense inflation	Lapse and surrender rates	Mortality and morbidity rates
		-1%	-10%	+1%	-10%	-10%
Individual Life Business	1,841,448	1,852,531	1,841,448	1,840,147	1,848,082	1,836,759
Annuity Business	3,441,985	3,438,984	3,444,451	3,445,697	3,441,985	3,495,482
Group Life Business	299,598	299,598	300,497	299,733	299,598	280,124
Total	**5,583,030**	**5,591,113**	**5,586,395**	**5,585,577**	**5,589,665**	**5,612,365**

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.

2013	Effect on VIF after tax P'million
Base Assumption	957.6
Increase risk discount rate by 1,0% to 12.5%	918.7
Decrease risk discount rate by 1,0% to 10.5%	1000
Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rate to 12%, and with bonus rates changing commensurately	993.4
Maintenance unit expenses (excluding investment expenses) decrease by 10%	967.7
Discontinuance rates decrease by 10%	995.2
Mortality and morbidity decreased by 5% for assurances, coupled with a 5% decrease in mortality for annuities	983.2
Equity and property assets fall by 10%	957.1

2012	Effect on VIF after tax P'million
Base Assumption	708.5
Increase risk discount rate by 1,0% to 12.5%	677.1
Decrease risk discount rate by 1,0% to 10.5%	738.6
Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rate to 12%, and with bonus rates changing commensurately	735.0
Maintenance unit expenses (excluding investment expenses) decrease by 10%	714.9
Discontinuance rates decrease by 10%	734.5
Mortality and morbidity decreased by 5% for assurances, coupled with a 5% decrease in mortality for annuities	715.7
Equity and property assets fall by 10%	705.2

BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. Summary of significant accounting policies (continued)

Capital adequacy risk

The business must maintain a shareholders' fund that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the business. A deterministic modelling process is used to simulate a number of investment scenarios which in turn is used to determine required capital levels that will ensure sustained solvency given a number of shock scenarios. Capital adequacy requirements were covered as indicated by the Companies' shareholders' fund, (as determined according to IPR3L-Prescibed Capital Target (PCT) for Long-term Insurers by NBFIRA). The Prescribed Capital Target (PCT) is covered 9.2 times (31 December 2012: 7.2 times).

Concentration of insurance risk

Long-term insurance risks do not vary significantly in relation to the location of the risk insured. Concentration by amounts insured could however increase the relative portfolio risk. The tables below provide analyses of the concentration of insured benefits per individual life insured (excluding annuity payments) as well as per annuity payable per annum per life assured. The figures below represent the benefits payable on the occurrence of the insurance event and not the liability held in the balance sheet in relation to the insured benefit.

Benefits insured per individual life

			BEFORE REINSURANCE		AFTER REINSURANCE	
	2013 Number of lives	2012 Number of lives	2013 Pula P'000	2012 Pula P'000	2013 Pula P'000	2012 Pula P'000
0 - 500	646,545	634,020	8,251,306	7,711,280	8,034,299	7,528,126
500 - 1 000	777	589	499,835	401,749	78,900	61,100
1 000 - 5 000	801	534	1,148,386	746,477	80,100	53,400
5 000 - 8 000	8	3	43,599	19,197	800	300
>8 000	6	3	60,193	33,330	600	300
	648,137	635,149	10,003,318	8,912,032	8,194,699	7,643,226

Non-participating annuity payable per annum per life insured

P'000	2013 Number of lives	2012 Number of lives	2013 Pula P'000	2012 Pula P'000
0-20	2,313	2,245	22,926	21,632
20-40	1,311	1,240	61,968	36,645
40-60	992	913	111,881	45,975
60-80	709	631	161,665	44,546
80-100	570	511	215,818	48,273
>100	854	723	123,208	105,022

Annuity business is not reinsured.

Fair values

The carrying amounts and fair values of financial assets and financial liabilities are the same because financial assets and liabilities are either designated at fair value through profit or loss or have short term duration such that their carrying amounts approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. Segmental analysis

Basis of segmentation
For management purposes, the group is organised into two principal business areas based on their products and services and these make up the two reportable operating segments as follows:

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

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

The general insurance segment which provides short term 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 2013 and 2012 between business segments are set on an arm's length basis in a manner similar to transaction with third parties. Segmental income, segment expense and segment results will then include those transfers between business segments, which will then be eliminated on consolidation.

Primary segment - Business segments
At 31 December 2013, the Group's operating businesses are organised and managed separately according to the nature of the products and services offered, with each segment representing a strategic business unit that offers varying products and serves different markets. This is the basis on which the Group reports its primary segment information. The Group is therefore organised into two principal areas of business – Life Insurance and Asset Management Services.

Secondary segment - Geographical segments
The Group under its 100% owned subsidiary, BIFM Holdings, has a 70% subsidiary in Quantum Assets Zambia Limited. For management purposes, the Zambia operations are reported under BIFM Holdings. The Group therefore only has significant operations in Botswana hence a geographical segment analysis has not been provided. The results for African Life Financial Services (Zambia) Limited , the associate company are disclosed on note 4.5.
The amounts used for Segment reporting are measured using IFRS principles.

Other segments
The source of revenue for segments included in other segments is Unit Trust business, Holding Company and the Corporate Social Investment Trust.

- The experience of reinsurers is used where necessary for the rating of substandard risks;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. Segmental analysis (continued)

	LIFE BUSINESS		ASSET MANAGEMENT		GENERAL
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000
1.1 Segment information by products and services					
Premium revenue					
- Internal	-	-	-	-	-
- External	1,844,243	1,908,040	-	-	42,202
Fee revenue					
- Internal	-	-	5,271	3,856	-
- External	-	-	94,414	70,880	1,031
Investment income	419,799	432,333	194,319	214,263	624
- Interest income	396,237	354,967	75,820	101,227	624
- Dividend income	54,043	96,546	91,201	72,630	-
- Other	(30,481)	(19,180)	27,298	40,406	-
Profit on sale of subsidiary	-	-	-	6,075	-
Fair value gains and losses	793,155	246,399	1,553,294	203,622	-
Total net income	**3,057,197**	**2,586,772**	**1,847,298**	**498,696**	**43,856**
Profit/(loss) for the year before tax	383,320	289,316	114,751	83,147	(11,085)
Depreciation	3,010	3,228	271	380	470
Amortisation	5,699	5,308	-	-	668
Share-based expense	202	320	-	-	-
Income tax expense	68,918	64,217	17,073	25,773	(677)
Selling expenses	243,372	216,884	-	-	120
Net Insurance benefits and claims	1,038,326	888,741	-	-	21,412
Change in policyholder liabilities under life insurance contracts	1,220,554	1,026,885	-	-	-
Change in liabilities under investment contracts	-	-	1,719,987	383,646	-
Movement in short term insurance liabilities	-	-	-	-	13,788
Total Assets	8,590,867	7,078,796	7,826,420	10,347,110	64,843
Total Liabilities	7,196,561	5,938,719	7,355,208	9,952,787	53,015
Capital expenditure	11,015	4,028	234	481	2,203
Associates and joint venture					
Share of profit of associates	-	-	43,198	22,864	-
Investment in associates	-	-	167,359	208,595	-

	INSURANCE	OTHER		INTER GROUP TRANSACTIONS		CONSOLIDATED TOTAL	
	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
	-	-	-	-	-	-	-
	41,545	-	-	-	-	1,886,445	1,949,585
	-	-	-	(5,271)	(3,856)	-	-
	-	2,594	3,820	-	-	98,039	74,700
	527	115,428	164,747	(135,059)	(182,955)	595,111	628,915
	527	(24,902)	(27,119)	5,271	8,911	453,050	438,513
	-	140,330	191,866	(140,330)	(191,866)	145,244	169,176
	-	-	-	-	-	(3,183)	21,226
	-	-	-	-	-	-	6,075
	-	(3,322)	-	-	2,896	2,343,127	452,917
	42,072	**114,700**	**168,567**	**(140,330)**	**(183,915)**	**4,922,722**	**3,112,192**
	-	52,980	125,501	39,428	(12,633)	579,394	485,331
	395	707	389	-	-	4,458	4,392
	-	1,940	1,115	-	-	8,307	6,423
	-	1,422	772	4,624	2,030	6,248	3,122
	-	6,685	12,751	(7,378)	(11,805)	84,621	90,936
	2,281	-	-	-	-	243,491	219,165
	15,434	-	-	-	-	1,059,738	904,175
	-	-	-	-	-	1,220,554	1,026,885
	-	-	-	-	-	1,719,987	383,646
	8,953	-	-	-	-	13,788	8,953
	57,539	2,897,304	1,306,628	(5,311,692)	(3,373,205)	14,067,742	15,416,868
	53,015	2,108,168	640,156	(5,085,523)	(3,146,421)	11,627,429	13,438,256
	4,749	6,129	8,952	-	-	19,581	18,210
	-	146,004	173,618	-	-	189,202	196,482
	-	1,271,863	1,060,112	-	-	1,439,222	1,268,707

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

2. Property and equipment

GROUP	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvement P'000	Land and buildings P'000	Total P'000
2013						
Cost						
At 1 January 2013	20,661	20,180	5,639	14,635	161	61,276
Additions	10,062	1,260	598	2,457	-	14,377
Disposals	(15)	(6)	-	-	-	(21)
At 31 December 2013	**30,708**	**21,434**	**6,237**	**17,092**	**161**	**75,632**
Accumulated depreciation						
At 1 January 2013	17,035	14,576	5,098	11,684	1,972	50,365
Current year charge	1,708	1,309	216	1,225	-	4,458
Disposals	(12)	(6)	-	-	-	(18)
At 31 December 2013	**18,731**	**15,879**	**5,314**	**12,909**	**1,972**	**54,805**
Carrying amount						
At 1 January 2013	3,626	5,604	541	2,951	(1,811)	10,911
At 31 December 2013	11,977	5,555	923	4,183	(1,811)	20,827
2012						
Cost						
At 1 January 2012	19,217	20,992	5,460	12,743	161	58,573
Additions	1,444	1,006	179	1,892	-	4,521
Disposals	-	(1,818)	-	-	-	(1,818)
At 31 December 2012	**20,661**	**20,180**	**5,639**	**14,635**	**161**	**61,276**
Accumulated depreciation						
At 1 January 2012	15,462	13,313	4,874	10,391	1,972	46,012
Current year charge	1,582	1,293	224	1,293	-	4,392
Disposals	(9)	(30)	-	-	-	(39)
At 31 December 2012	**17,035**	**14,576**	**5,098**	**11,684**	**1,972**	**50,365**
Carrying amount						
At 1 January 2012	3,755	7,679	586	2,352	(1,811)	12,561
At 31 December 2012	3,626	5,604	541	2,951	(1,811)	10,911

COMPANY	Computer equipment P'000	Furniture and fittings P'000	Motor vehicles P'000	Leasehold improvement P'000	Total P'000
2013					
Cost					
At January 2013	600	1,503	179	156	2,438
Additions	4,700	152	-	602	5,454
At 31 December 2013	**5,300**	**1,655**	**179**	**758**	**7,892**
Accumulated depreciation					
At 1 January 2013	125	206	33	10	374
Current year charge	317	235	35	53	640
At 31 December 2013	**442**	**441**	**68**	**63**	**1,014**
Carrying amount					
At 1 January 2013	475	1,297	146	146	2,064
At 31 December 2013	4,858	1,214	111	695	6,878
2012					
Cost					
At January 2012	-	1,052	-	66	1,118
Additions	600	451	179	90	1,320
At 31 December 2012	**600**	**1,503**	**179**	**156**	**2,438**
Accumulated depreciation					
At 1 January 2012	-	-	-	-	-
Current year charge	125	206	33	10	374
At 31 December 2012	**125**	**206**	**33**	**10**	**374**
Carrying amount					
At 1 January 2012	-	1,052	-	66	1,118
At 31 December 2012	475	1,297	146	146	2,064

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

3. Intangible assets

GROUP	Goodwill P'000	Computer software P'000	Total P'000
2013			
Cost			
At 1 January 2013	114,923	61,391	176,314
Additions	-	5,204	5,204
At 31 December 2013	**114,923**	**66,595**	**181,518**
Accumulated amortisation and impairment			
At 1 January 2013	-	22,313	22,313
Current year amortisation	-	8,307	8,307
At 31 December 2013	**-**	**30,620**	**30,620**
Carrying amount			
At 1 January 2013	114,923	39,078	154,001
At 31 December 2013	114,923	35,975	150,898
2012			
Cost			
At 1 January 2012	114,923	47,702	162,625
Additions	-	13,689	13,689
At 31 December 2012	**114,923**	**61,391**	**176,314**
Accumulated amortisation and impairment			
At 1 January 2012	-	15,890	15,890
Current year amortisation	-	6,423	6,423
At 31 December 2012	**-**	**22,313**	**22,313**
Carrying amount			
At 1 January 2012	114,923	31,812	146,735
At 31 December 2012	114,923	39,078	154,001

COMPANY	Goodwill P'000	Computer software P'000	Total P'000
2013			
Cost			
At 1 January 2013	-	7,481	7,481
Additions	-	280	280
Disposals	-	-	-
At 31 December 2013	**-**	**7,761**	**7,761**
Accumulated amortisation and impairment			
At 1 January 2013	-	892	892
Current year amortisation	-	1,940	1,940
At 31 December 2013	**-**	**2,832**	**2,832**
Carrying amount			
At 1 January 2013	-	6,589	6,589
At 31 December 2013	-	4,929	4,929

COMPANY	Goodwill P'000	Computer software P'000	Total P'000
2012			
Cost			
At 1 January 2012	-	-	-
Additions	-	7,481	7,481
At 31 December 2012	**-**	**7,481**	**7,481**
Accumulated amortisation and impairment			
At 1 January 2012	-	-	-
Current year amortisation	-	892	892
At 31 December 2012	**-**	**892**	**892**
Carrying amount			
At 1 January 2012	-	-	-
At 31 December 2012	-	6,589	6,589

Impairment testing of goodwill

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

Asset management business and Non-life insurance business

	2013 P'000	2012 P'000
Carrying amount of goodwill		
Asset management business	72,563	72,563
Non-Life insurance	42,360	42,360
Total	**114,923**	**114,923**

Management estimates that the recoverable amounts of the cash generating units (CGU's) exceed the carrying amounts. Management estimates include a new review of the performance of CGU's when compared to estimates applicable at the origional recognition of the goodwill. The performance of the CGU's have shown a positive trend on a year on year basis. Management is estimating that the business will keep on growing by about 8.5% in the forseeable future which is in line with industry average and the country's long term infation targets.

Asset management business

The recoverable amount of the asset management business units has been determined based on the value-in-use calculation using the cashflow projections on financial budgets approved by senior management covering a 10 year period and perpetual growth of 5% thereafter. A pre-tax Group specific risk adjusted discount rate of 18% (2012: 19%) is used. The projected cashflows beyond the 10 years have been extrapolated using a steady average growth rate of 5% (2012: 5%) not exceeding the long-term average growth rate for the market in which the business operate. The projected cashflows are determined by budgeted margins based on past performances and management expectations and market developments.

3. Intangible assets (continued)

The key assumptions used for the impairment calculations of the asset management business are:

	2013	2012
Investment income/surplus return	6.8%	6.8%
Investment growth on AUM (after tax)	7.9%	7.9%
Net inflows as a % of AUM	0.5%	1.0%

Non life insurance business
The recoverable amount of the non-life business has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a ten-year period and perpetual growth of 8.5% thereafter. A pre-tax Group-specific risk-adjusted discount rate of 20% (2012: 20%) is used. The projected cash flows beyond the ten years excluding expenses have been extrapolated using a steady average growth rate of 8.5% (2012: 8.5%), not exceeding the long-term average growth rate for the market in which the units operate. The projected cash flows are determined by budgeted margins based on past performances and management expectations for market developments.
The key assumptions used for the impairment calculations of the non life insurance business are:

	2013
Premiums and margins	5%
Expenses	6%
Risk discount rate	20%

Sensitivity to changes in assumptions
With regard to the assessment of value in use for the non-life insurance business, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amounts.

For the investment 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 P253 million (2012: P179 million). Management recognised the fact that current investment market conditions reflect stable and profitable margins. Unfavourable conditions could materially affect the growth margins of these markets. A reduction of 1% in the investment growth rate would give a value in use equal to the carrying amount of the investment management services business.

No impairment loss has been recognised in 2013 and 2012, as a result of the impairment reviews for each business units.

4. Investments

Fair values

At 31 December 2013 and 31 December 2012, the carrying value of financial instruments reported in the financial statements approximate their value.

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
Investments designated as fair value through profit or loss				
At the beginning of the year	12,735,404	9,861,031	-	-
Net movement	(3,785,244)	2,526,387	-	-
Revaluations	2,343,127	347,986	-	-
At the end of the year	11,293,287	12,735,404	-	-

Alignment of investment classification to SAM classifications

Some of the investments have been reclassified to new revised investment categories. These new categories align IFRS investment classifications with the required SAM classifications. All comparative information has been reclassified accordingly.

The impact of these reclassifications on the statement of financial position as at 01 January 2012 and 31 December 2012 is disclosed in note 27.

These reclassifications in the current and prior period had no impact on the Group's total comprehensive income, shareholders fund or net asset value.

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
4.1 Bonds notes, policy loans and similar securities				
Designated as at fair value through profit or loss				
Bonds (Government, public authority, listed and unlisted corporates)	4,956,571	5,073,231	-	-
Money market instruments	143,262	118,331	-	-
Policy loans and other loan advances (Note 4.3)	482,259	540,370	-	-
Reclassifications (Note 27)	-	1,275	-	-
	5,582,092	5,733,207	-	-

The bonds are made up of both listed and unlisted bonds. Listed bonds have fixed interest rates which range from 7.25% to 12.00%. For unlisted bonds, interest rates are fixed, with coupon rates falling between 10.00% and 11.25% annually, calculated and compounded on a quarterly basis. Bond repayment terms range between 10 and 27 years for all listed and unlisted bonds.

Money markets constitutes funds invested in call accounts. The average market interest rate for money market instruments was 3.2% for 2012 (2011: 3.5%). All money market instruments are of a short term nature, being exercisable within one year of year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Investments (continued)

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
4.2 Equity investments				
Listed in Botswana	1,068,016	1,046,888	-	-
Listed foreign markets	4,531,100	5,546,509	-	-
Reclassifications (Note 27)	-	216,940	-	-
Unlisted	112,079	193,135	-	-
	5,711,195	7,003,472	-	-
Sectoral analysis for bonds, money market and equity instruments				
Consumer discretionary	458,577	303,102	-	-
Industrials	-	55,392	-	-
Financials	4,333,785	4,272,160	-	-
Energy	139,887	28,012	-	-
Education	67,916	63,923	-	-
Property	1,279,008	655,146	-	-
Tourism	114,667	113,443	-	-
Offshore foreign equities	4,531,100	5,546,508	-	-
Government	368,347	1,543,579	-	-
Other	-	124,139	-	-
	11,293,287	**12,735,404**	**-**	**-**

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

Unlisted financial assets:
These investments have been valued based on an independent valuation done by third parties. The fair value of unlisted financial assets have been calculated by discounting expected future cash flows at the risk adjusted interest rates applicable to each financial asset. The cashflows for the unlisted investments are determined with reference to contractual rate of return and the timing of the cashflow.

The valuation is based on assessment of risk in comparison to similar market based instruments. The risk assumed is specific to each instrument and is used to determine risk premium per instrument.The risk premium is the extra risk attributable to an unlisted instrument due to the factors arising from it not being traded on the open market. The average risk premium for the unlisted bonds and notes held by the Group was determined as 110 basis points in current year (2012: 110 basis points) on the basis of the risk surrounding the operations of the Group. The risk premium has been used as a risk adjustment to the Government risk free rate.

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
4.3 Policy loans and other loan advances				
Opening balance	540,370	146,540	-	-
New loans	29,832	34,363	-	-
Interest charges	16,529	8,553	-	-
Repayments	(42,625)	(17,442)	-	-
Impairment	(869)	(2,511)	-	-
Reclassification loans from bonds (Note 27)	-	402,136	-	-
Loan redemption from units	(60,978)	(31,269)	-	-
	482,259	**540,370**	**-**	**-**
Loans secured against the company's insurance policies	79,975	124,139	-	-
Other loans	402,284	416,231	-	-

Policy loans

These loans are secured against the investment assets on insurance contracts and have repayment terms of approximately 4 years otherwise the loans are recouped against the surrender value of the investment policy. Interest rate is variable depending on Botswana local bank prime lending rates. The interest rate at December 2013 was 13.5% (2012: 15%)

As at the year end,an amount of P869,000 (2012:P2.5 million) was charged to the income statement as impairment. All policy loans are secured against investment assets on insurance contracts and limits to the loan amount that can be taken is built into policy loan contract.

Other loans

The loans are advances to Public Private Partnerships which are partnerships between private companies and the government of Botswana for construction projects. The interest rate on the loans are based on the prime lending rates in Botswana and terms of the loans range from 10 years to 17 years. As at year end the prime rate was 9% (2012: 11%)

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. The average risk premium for the other loans held by the Group was determined as 50 to 100 basis points in current year (2012: 50 to 100 basis points). The risk premium has been used as a risk adjustment to the Government risk free rate.

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

4. Investments (continued)

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
4.4 Investment property				
At beginning of the year	277,583	256,535	-	-
Purchases of investments	-	86,676	-	-
Reclassifications (Note 27)	-	(218,215)	-	-
Revaluations	23,098	152,587	-	-
	300,681	**277,583**	**-**	**-**

Investment properties are stated at fair value which has been determined based on valuations performed by Knight Frank; an accredited independent valuer, as at 31 December 2013 and 31 December 2012 for the current and previous years respectively. Knight Frank is an industry specialist in valuing these types of investment properties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Direct operating expenses are borne by the tenants in these properties. There are no restrictions on the realisability of the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintanace or enhancements. In calculating the market value of commercial properties the investment method being a discounted cashflow approach had been adapted whereupon the current contractual annual rentals is netted off against relevant expenses including normal repairs and maintanance,operating costs, management/collection commission fees, insurance and rates amongst others. The resulting net income is discounted at a market related discount rate to arrive at the market value. The following primary inputs have been used.

	2013	2012
Inflation rate (%)	4.1%	7.4%
Capitalisation rates	9% - 12.5%	9% - 12.5%
Long-term vacancy rates	0%	0%

The valuation has been undertaken on the assumption that the properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials.
Valuations and appraisals were carried out in accordance with the RICS Appraisal and Valuation Standards ("The Red Book"), by valuers who conform to its requirements , and with regard to relevant statues or regulations and with reference to market evidence of transaction prices for similar properties.

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

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
4.5 Interest in associates / joint ventures and subsidiaries (subsidiaries at company level)				
Carrying amounts at beginning of the year	1,268,707	993,583	323,391	317,277
Share of results after tax	189,202	196,482	-	-
Dividend received	(41,955)	(35,965)	-	-
Additional investment in associates (subsidiaries at company level)	23,267	114,607	30,665	6,114
Impairment provision of subsidiaries	-	-	(33,060)	-
Carrying amount at the end of the year	**1,439,221**	**1,268,707**	**320,996**	**323,391**

Investment in associates at 31 December 2013 includes goodwill of P901,000 (2012:P901,000). There was no impairment loss during the year.

The company made a provision for impairment for the general insurance business and unit trust business as the companies are loss making.

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

The Group, through its 100% owned subsidiary BIFM, has invested in various associates being Plot 21, Bongwe, Fuene, Gaborone Sun and African Life Services (Zambia) Ltd. African Life Financial Services (Zambia) Ltd is based in Zambia and all other associates are based in Botswana. The table below shows the Group's percentage shareholding and total summarised financial interest. The Group has a 23.36% (2012: 25.51%) interest in Letshego Holdings Limited (LHL), which is involved in the provison 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 following table illustrates the summarised financial information of the Group's investment in LHL.

Dilution of interest in Letshego Holdings Limited

On 30 April 2013 Letshego issued ordinary shares in settlement of a loan provided by ADPI Holdings. The issue of ordinary shares to ADPI Holdings led to BIHL's share being diluted from 25.33% to 23.36%. The dilution in interest means that BIHL lost a portion of the original capital invested and is also entitled to less cumulative reserves of Letshego after the transaction. The dilution is effectively a sale of 7.8% of the Group's 25.36% share and a reduction in the equity accounted carrying value of the investment in Letshego should be recognised at 30 April 2013. The reduction is calculated as the percentage dilution times the equity accounted balance of the investment in Letshego at 30 April 2013. Although the Group's interest was reduced, the impact of the reduction is partially mitigated by the Group's share of the increase in the net asset value of Letshego through the settlement of a loan with equity. The dilution had an effect of a reduction in the share of profit of associate income of P23 million and a corresponding effect on the balance sheet was recorded.

During the 2013 financial year, the Group acquired additional voting shares of Funeral Services Group Limited (FSG), increasing its ownership to 33.97% (2012: 28.65%). FSG is involved in the manufacturing and distribution of coffins and caskets, providing funeral services and establishing and managing private cemetries. The company is incorporated in Botswana and has a subsidiary in Zambia. FSG is a public company listed on the Botswana Stock Exchange (BSE). The Group's interest in FSG is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in FSG:

The fair value of the listed associates (Letshego Holdings Limited and Funeral Services Group) was P1,272 million (2012:P 1,028 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Investments (continued)

	JOINT VENTURE		
	Khumo Property Asset Management	**Gaborone Sun**	**Funeral Services Group**
4.5 Interest in associates / joint ventures and subsidiaries (subsidiaries at company level)			
As at 31 December 2013			
Carrying amount (P'000)	3,187	27,716	52,328
Interest in issued share capital			
Shareholders' fund	50%	20%	33.97%
Share of earnings after tax for current year (P'000)	984	13,684	8,563
Distributions received	-		
Shareholders' fund (P'000)	-	-	(3,549)
Total assets and liabilities of the joint venture and associates (P'000)			
Non-current assets	341	27,717	142,352
Current financial assets , excluding cash and cash equivalents	7,563	41	14,738
Cash and cash equivalents	5	9,807	57,527
Non current financial liabilities excluding trade and other payables	-	(7,668)	(36,456)
Current financial liabilities excluding trade and other payables and provisions	(500)	-	(2,786)
Current liabilities	(1,933)	(150)	(25,739)
Shareholders equity	**5,477**	**37,414**	**178,422**
	3,187	27,716	52,328
Calculated carrying value	2,738	7,483	60,616
Effects of fair value adjustments and goodwill at initial recognition	448	20,234	(8,288)
Summarised statement of profit or loss of the joint venture and associates (P'000)			
Revenue	8,208	5,676	81,770
Interest income	45	406	2,250
Cost of sales	-	-	(11,489)
Administration expenses, excluding depreciation and amortisation	(5,601)	(339)	(45,375)
Depreciation and amortisation	(129)	-	(4,646)
Finance costs, including interest expense	-	-	(185)
Profit before tax	**2,523**	**5,743**	**22,326**
Income tax expense	(452)	(383)	(3,979)
Profit for the (continuing operations)	2,071	5,360	18,347
Group's share of profit for the year	984	13,684	8,563

			ASSOCIATES				
	Plot 21 Investments	Bongwe	African Life Financial Services (Zambia) Limited	Healthcare Holdings	Feune	Letshego	Total
	1,692	2,353	68,627	16,694	140,357	1,126,268	1,439,221
	33%	33%	49%	29.60%	24.85%	23.36%	-
	313	645	10,907	3,562	13,103	137,440	189,203
	-	-	-	-	-	(38,406)	(41,955)
	38,207	204,343	17,745	50,030	530,072	125,342	
	1,774	1,805	33,439	14,258	22,945	4,452,778	
	7,323	22,215	13,814	7,687	10,328	387,748	
	(201,874)	(1,022)	-	(42,237)	(1,235,331)	-	
	(1,311)	-	(7,579)	-	-	(121,252)	
	(390)	(1,203)	(12,930)	(1,129)	(8,936)	(96,485)	
	9,147	**25,285**	**43,467**	**70,847**	**512,171**	**3,512,800**	
	1,692	2,353	68,627	16,694	140,357	1,126,268	1,439,221
	3,018	8,344	21,299	20,971	127,275	820,590	1,072,334
	(1,326)	(5,992)	47,329	(4,277)	13,082	305,678	366,887
	3,431	8,752	57,188	22,572	114,285	249,302	
	6,427	17,817	1,179	474	135	1,091,993	
	(3,119)	(7,956)	-	-	-	-	
	(364)	(983)	(29,611)	(2,493)	(20,278)	(398,190)	
	-	(583)	(1,017)	(33)	(8,879)	-	
	(5,169)	(15,148)	(167)	(4,109)	(38,377)	(114,924)	
	1,206	**2,483**	**28,006**	**15,427**	**55,732**	**819,302**	
	(265)	(546)	(10,506)	(1,503)	(785)	(178,310)	
	941	1,937	17,500	13,924	54,812	640,747	
	313	645	10,907	3,562	13,103	137,440	189,203

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Investments (continued)

	JOINT VENTURE		
	Khumo Property Asset Management	Gaborone Sun	Funeral Services Group
4.5 Interest in associates / joint ventures and subsidiaries (subsidiaries at company level) (continued)			
As at 31 December 2012			
Carrying amount (P'000)	2,203	16,665	34,395
Interest in issued share capital			
Shareholders' fund	50%	20%	28.65%
Share of earnings after tax for current year (P'000)	402	3,679	6,915
Distributions received -			
Shareholders' fund (P'000)	-	(1,499)	(3,085)
Total assets and liabilities of associated company (P'000)			
Non-current assets	254	26,041	125,754
Current financial assets , excluding cash and cash equivalents	2,620	22	11,788
Cash and cash equivalents	4,948	9,263	46,813
Non current financial liabilities excluding trade and other payables and provisions	-	-	(7,420)
Current financial liabilities excluding trade and other payables and provisions	(500)	-	(4,041)
Current liabilities	(1,336)	(81)	(18,788)
Shareholders equity	**5,987**	**35,244**	**154,106**
	2,203	16,665	34,395
Calculated carrying value	2,993	7,049	44,149
Effects of fair value adjustments and goodwill at initial recognition	(791)	9,617	(9,754)
Summarised statement of profit or loss of the joint venture and associates (P'000)			
Revenue	7,858	5,754	71,969
Interest income	-	-	-
Cost of sales	-	-	(12,163)
Administration expenses, excluding depreciation and amortisation	(6,512)	(371)	(39,124)
Depreciation and amortisation	(81)	-	(4,244)
Finance costs, including interest expense	-	-	(194)
Profit before tax	**1,265**	**5,383**	**16,244**
Income tax expense	(232)	(314)	(5,190)
Profit for the (continuing operations)	1,033	(5,069)	15,298
Group's share of profit for the year	402	3,679	6,915

ASSOCIATES						
Plot 21 Investments	**Bongwe**	**African Life Financial Services (Zambia) Limited**	**Healthcare Holdings**	**Feune**	**Letshego**	**Total**
2,362	6,631	55,776	17,575	107,378	1,025,722	1,268,707
33%	33%	49%	30%	25%	25.33%	-
205	373	7,858	5,275	5,072	166,703	196,482
-	-	-	-	-	(31,381)	(35,965)
40,853	183,769	5,513	29,923	480,439	928,377	
4,859	449	25,232	34,264	9,642	3,352,170	
6,934	27,154	4,714	7,574	13,780	830,676	
(42,304)	(195,412)	(1,490)	(18,848)	(39,337)	(1,277,057)	
(1,196)	-	-	-	-	(62,512)	
(318)	(1,121)	(13,404)	(2,547)	4,954	(78,828)	
8,828	**14,838**	**20,567**	**50,365**	**469,479**	**3,692,826**	
2,362	6,631	55,776	17,575	107,378	1,025,722	1,268,707
2,913	4,897	10,078	14,908	116,665	935,393	1,139,044
(551)	1,735	45,698	2,667	(9,287)	90,329	129,663
2,273	5,391	37,052	2,745	52,325	164,106	
-	11,008	723	180	38	1,043,669	
(2,066)	(4,901)	-	-	-	-	
(208)	(689)	(18,644)	(519)	(9,849)	(325,895)	
4,432	-	(34)	(76)	-	(6,848)	
(3,635)	(9,360)	194	(174)	(16,346)	(98,859)	
797	**1,449**	**19,291**	**2,156**	**26,168**	**776,173**	
(175)	(319)	(6,883)	-	(5,756)	(171,442)	
621	1,130	12,409	2,156	20,412	604,731	576,911
205	373	7,858	5,275	5,072	166,703	196,482

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Investments (continued)

4.6 Disposal of subsidiary

In the prior year Bifm disposed off 51% shareholding in Bifm Capital (Pty) Ltd. The fair value and carrying amounts of the indentifiable assets and libilities of Bifm Capital (Pty) Ltd as at the date of disposal were :

	P'000
Carrying amount of assets	13,638
Carrying amount of liabilities	(8,267)
Net assets	5,371
Group's share of net assets	2,739
Fair value of consideration received	1,117
Balance of NCI at date of sale	7,698
Profit on disposal	6,075
Fair value of assets and liabilities disposed were as follows:	
Property and equipment	764
Trade and other recievables	7,060
Cash and cash equivalents	5,814
Deferred tax liabilities	(18)
Trade and other payables	(8,249)
	5,371
Group's share of net assets at fair value	2,739
Consideration	1,117
Effect on cashflow	
- Cash consideration received on disposal of subsidiary	1,117
- Cash disposed off in subsidiary	(5,814)
	(4,697)

5. Trade and other receivables

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
Insurance recievables				
Due from policyholders, agents and brokers	98,653	85,642	-	-
Due from reinsurers	19,786	20,356	-	-
	118,439	105,998	-	-
Other amounts recievables	120,238	76,801	1,251	1,578
	238,677	**182,799**	**1,251**	**1,578**

Trade receivables are non-interest bearing and are generally on 30 days terms.

The aging analysis of these receivables is as analysed below:				
Neither past due nor impaired	152,251	95,909	1,251	1,578
Past due but not impaired:	86,426	86,889	-	-
Less than 30 days	31,390	49,580	-	-
30 - 60 days	2,255	20,719	-	-
60 - 90 days	52,781	16,590	-	-
	238,677	**182,798**	**1,251**	**1,578**

The carrying values of trade and other receivables are reasonable approximations of their fair values.

Impairment movement
As at 31 December 2013 outstanding premiums with a nominal value of P1.8 milion (2012:P P114,481) were impaired and fully provided for. Movements in the provision for impairment of outstanding premiums were as follows:

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
At 1 January	10,574	10,460	-	-
Charge for the year	1,800	114	-	-
At 31 December	12,374	10,574	-	-
5.1 Deferred insurance acqusition costs				
Balance at the beginning of the year	465	-	-	-
Current year acquisition costs deferred	4,492	1,112	-	-
Amortisation	(2,906)	(647)	-	-
Closing balance at the end of the year	2,051	465	-	-
Deferred insurance acquisition costs are considred to be current assets.				
5.2 Reinsurance contract recievable				
Claims reported and loss adjustment	2,316	237	-	-
Unearned premium	3,669	1,579	-	-
	5,985	1,816	-	-
Total amounts due under reinsurance contracts are considered to be current				
Reconciliation of reinsurance unearned premium				
Opening balance	1,579	-	-	-
Total reinsurance premium	9,130	2,618	-	-
Earned premium	(7,040)	(1,039)	-	-
Closing balance	3,669	1,579	-	-
6. Stated Capital				
Authorised shares (number)	281,070,652	281,070,652	281,070,652	281,070,652
Ordinary shares issued and fully paid				
281,070,652 ordinary shares at no par value	130,821	130,821	130,821	130,821
7. Non-distributable reserves				
Foreign currency translation reserve				
Opening balance	45,378	34,660	-	-
Movement for the year	21,944	10,718	-	-
Balance at end of year	67,322	45,378	-	-
Consolidation reserve				
Opening balance	(91,795)	(96,368)	-	-
Transfer from retained earnings	21,952	4,405	-	-
Cost of shares disposed	16,189	168	-	
Prior year adjustment	(8,810)	-	-	-
Balance at end of year	(62,464)	(91,795)	-	-

7. Non-distributable reserves (continued)

	GROUP		COMPANY	
	31 December 2013 P'000	**31 December 2012 P'000**	**31 December 2013 P'000**	**31 December 2012 P'000**
Number of shares held at 31 December:	5,921	9,720	-	-
	5,921	9,720	-	-
Market price per share (Pula)	10.55	10.35	-	-
Treasury shares				
Number of shares held at 31 December:				
Shareholders' fund 000s	484	656	-	-
Opening balance	(88,311)	(112,348)	-	-
Cost of treasury shares disposed	1,324	11	-	-
Exercised employee shares	9,946	24,026	-	-
	(77,041)	(88,311)	-	-
Share based payment reserve				
Opening balance	76,800	68,433	3,955	3,183
Expense arising from equity-settled share-based payment transactions	6,248	3,122	1,422	772
Prior year adjustments	-	5,245	-	-
	83,048	76,800	5,377	3,955
Statutory capital reserve				
Opening balance	640,706	573,560	9,762	9,762
Transfer from surplus for the year	93,177	66,831	-	-
Prior year adjustments	-	315	-	-
	733,883	640,706	9,762	9,762

In accordance with the requirements of section 9 of the Botswana Insurance Industry Act (Chapter 46:01), 25% of the annual after-tax income of those subsidiaries registered under the Act is transferred to the Statutory Capital Reserve. This reserve can be utilised at a minimum of five years to increase the paid up stated capital of the respective subsidiary companies.

Solvency reserve				
Opening balance	946	954	-	-
Transfer from surplus for the year	-	-	-	-
Prior year adjustment	-	(8)	-	-
	946	946	-	-

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

Total non-distributable reserves	**745,694**	**583,724**	**15,139**	**13,717**

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000

8. Policyholder Liabilities

8.1 Analysis of movement in policy liabilities under life insurance contracts

	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
Income	2,942,838	2,542,023	-	-
Premium income	1,850,283	1,928,869	-	-
Investment return	1,092,555	613,154	-	-
Outflow	(1,725,201)	(1,523,563)	-	-
Policy benefits	(1,038,325)	(888,741)	-	-
Retirement funds terminations	-	-	-	-
Fees, risk premiums and other payments to shareholders' fund	(686,876)	(634,822)	-	-
Net movement for the year	1,217,637	1,018,460	-	-
Balance at beginning of the year	5,592,072	4,573,612	-	-
Balance at end of the year	**6,809,709**	**5,592,072**	**-**	**-**
8.2 Analysis of premium income				
Individual business	1,456,058	1,513,243	-	-
Recurring	800,160	768,552	-	-
Single	655,898	744,691	-	-
Employee benefits business	388,185	394,797	-	-
Recurring	90,315	92,763	-	-
Single	297,870	302,034	-	-
Non life insurance	42,202	41,545		
Total premium income	**1,886,445**	**1,949,585**	**-**	**-**
8.3 Composition of policy liabilities under investment contracts				
Individual business				
Linked and market-related liabilities	4,313,530	7,374,142	-	-
Composition of policy liabilities under insurance contracts				
Individual business	6,449,636	5,292,473	-	-
Linked and market-related liabilities	1,959,424	1,736,333	-	-
Stable bonus fund	48,122	48,555	-	-
Reversionary bonus policies	52,697	51,362	-	-
Non-participating annuities	4,318,265	3,393,704	-	-
Other non-participating liabilities	71,128	62,521	-	-
Employee benefits business	360,073	299,597	-	-
Other non-participating liabilities	360,073	299,597	-	-
Total policy liabilities	**11,123,239**	**12,966,214**	**-**	**-**

During the year some policyholders under investment contracts opted to move their investments to segregated funds (off balance sheet). This had an effect of reducing the policy liabilities as compared to prior year.

8. Policyholder Liabilities (continued)

8.4 Maturity analysis of policyholder liabilities

2013	On demand P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Maturity analysis of policy holder liabilities under investment contracts						
Linked and market-related liabilities	4,313,530	-	-	-	-	4,313,530
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	85,984	631,515	1,241,925	-	1,959,424
Smoothed bonus business	-	3,247	27,307	9,573	7,993	48,120
Reversionary bonus policies	-	7,685	22,243	22,770	-	52,698
Annuities - guaranteed	-	1,903	29,663	42,171	4,250,652	4,324,389
Annuities - participating	-	-	-	-	50,669	50,669
Non participating risk business	-	-	360,222	14,187	-	374,409
Total	**4,313,530**	**98,819**	**1,070,950**	**1,330,626**	**4,309,314**	**11,123,239**

2012	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	7,374,142	-	-	-	-	7,374,142
Maturity analysis of policy holder liabilities under insurance contracts						
Linked and market-related liabilities	-	99,030	569,210	1,068,096	-	1,736,336
Smoothed bonus business	-	9,642	12,104	20,826	5,982	48,554
Reversionary bonus policies	-	7,240	22,578	21,545	-	51,363
Annuities - guaranteed	-	2,360	29,180	45,432	3,316,728	3,393,700
Annuities - participating	-	-	-	-	48,284	48,284
Non participating risk business	-	6	299,612	14,217	-	313,835
Total	**7,374,142**	**118,278**	**932,684**	**1,170,116**	**3,370,994**	**12,966,214**

8.5 Policy liabilities include the following:

HIV/Aids reserve	26,061	27,321
Asset mismatch reserve	82,431	26,469

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

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
8.6 Reconcilation of policyholder liabilities				
Life Insurance contracts				
Opening balance	5,592,072	4,573,612	-	-
Transfer from income statement	1,217,637	1,018,459	-	-
Closing balance	6,809,709	5,592,072	-	-
Financial Soundness Valuation (FSV)	6,383,075	5,270,243	-	-
Unearned premium reserve (UPR)	330,148	288,138	-	-
Annuity mismatch and re-investment reserve	75,844	26,469	-	-
Claims incurred but not yet reported (IBNR) reserve	20,642	7,222	-	-
Investment contracts				
Balance at the beginning of the year	7,374,142	6,013,433	-	-
Pension and investment contributions	622,040	454,836	-	-
Net investment return	1,719,987	1,331,853	-	-
Benefits paid and withdrawals	(5,402,639)	(425,980)	-	-
Balance at end of the year	4,313,530	7,374,142	-	-
Total policyholder liabilities	**11,123,239**	**12,966,214**	**-**	**-**
Off balance sheet segregated funds	**15,993,266**	**8,789,154**	**-**	**-**

Segregated funds are excluded from investments and liabilities under investment management contracts on the balance sheet.

During the year some policyholders under investment contracts opted to move their investments to segregated funds (off balance sheet). This had an effect of reducing the policyholder liabilities (Refer to note 8.3), increasing benefits paid and withdrawals and the off balance sheet segregated funds.

	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
8.7 Reinsurance Assets				
Balance at the beginning of the year	9,041	17,467	-	-
Movement in reinsurer's share of insurance contract liabilities	(2,917)	(8,426)	-	-
Balance at end of the year	**6,124**	**9,041**	**-**	**-**
8.8 Movement in life insurance contract liability				
Policyholder transfer from income statement	1,217,637	1,018,459	-	-
Long term reinsurance asset movement	2,917	8,426	-	-
Movement in the income statement	**1,220,554**	**1,026,885**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
9. Non -controlling interests				
Balance at beginning of the year	33,651	36,050	-	-
Share of profit	2,273	3,477	-	-
Dividend payment	(1,012)	-	-	-
Currency translation difference	-	1,822	-	-
Diposal of minority	-	(7,698)	-	-
Balance at end of the year	**34,912**	**33,651**	**-**	**-**

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

Name	Country of incorporation and operations	2013	2012
Quantum Zambia (Pty) Ltd	Zambia	30%	30%
Kgolo Ya Sechaba (KYS)	Botswana	37%	37%
Private Property Botswana (PPB)	Botswana	26%	26%
		P'000	**P'000**
Accumulated balances of material non-controlling interests:			
Quantum Zambia (Pty) Ltd		21,320	19,744
Kgolo Ya Sechaba (KYS)		9,469	10,121
Private Property Botswana (PPB)		4,123	3,787
		34,912	33,651
Profit/(loss) allocated to material non-controlling interests:			
Quantum Zambia (Pty) Ltd		1,432	755
Kgolo Ya Sechaba (KYS)		504	1,292
Private Property Botswana (PPB)		336	1,430
		2,272	3,477

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

	Quantum Zambia (Pty) Ltd P'000	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised Profit or loss for 2013			
Revenue	10,290	2,081	1,197
Cost of sales	-	-	-
Administrative expenses	(4,131)	(339)	(161)
Finance costs	(639)	-	-
Profit before tax	5,520	1,742	1,036
Income tax	(748)	(383)	256
Profit for the year from continuing operations	4,772	1,359	1,292
Total comprehensive income	4,772	1,359	1,292
Attributable to non controlling interests	1,432	504	336
Dividends paid to non controllling interests	2,862	-	-

	Quantum Zambia (Pty) Ltd P'000	Kgolo Ya Sechaba (KYS) P'000	Private Property Botswana (PPB) P'000
Summarised Profit or loss for 2012			
Revenue	10,339	4,154	10,003
Cost of sales	-	-	-
Administrative expenses	(7,718)	(371)	(2,254)
Finance costs	-	-	-
Profit before tax	2,620	3,783	7,749
Income tax	(105)	(299)	(2,249)
Profit for the year from continuing operations	**2,516**	**3,484**	**5,500**
Total comprehensive income	**2,516**	**3,484**	**5,500**
Attributable to non controlling interests	755	1,293	1,430
Dividends paid to non controllling interests	-	-	-
Summarised statement of financial position as at 31 December 2013			
Trade recievables and cash and bank balances (current)	12,532	9,847	775
Property, plant and equipment and other non-current financial assets (non- current)	55,731	27,717	35,800
Trade and other payable (current)	1,798	(150)	(6,007)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(3,028)	-	(14,567)
Total equity	**67,032**	**37,414**	**16,001**
Attributable to:			
Equity holders of parent	45,711	27,945	11,878
Non-controlling interests	21,320	9,469	4,123
Summarised statement of financial position as at 31 December 2012			
Inventories and cash and bank balances (current)	2,181	9,284	654
Property, plant and equipment and other non-current financial assets (non- current)	68,072	26,041	38,100
Trade and other payable (current)	364	(154)	(220)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	(3,300)	-	(21,526)
Total equity	**67,317**	**35,171**	**17,008**
Attributable to:			
Equity holders of parent	47,573	25,051	13,221
Non-controlling interests	19,744	10,121	3,787
Summarised cash flow information for year ending 31 December 2013:			
Operating	(6,852)	544	382
Investing	8,659	-	-
Financing	(527)	-	(244)
Net increase in cash and cash equivalents	**1,280**	**544**	**138**
Summarised cash flow information for year ending 31 December 2012:			
Operating	2,073	1,451	3,334
Investing	(1,524)	-	(1,969)
Financing	(353)	-	(1,365)
Net increase in cash and cash equivalents	**196**	**1,451**	**192**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

10. Deferred tax

Deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

GROUP	Deferred tax asset 2013 P'000	Deferred tax liability 2013 P'000	Income statement 2013 P'000	Deferred tax asset 2012 P'000	Deferred tax liability 2012 P'000	Income statement 2012 P'000
Balance at the beginning of the year	190	(17,939)	-	194	(12,726)	-
Charge to the income statement	-	(6,011)	(6,011)		(5,420)	(5,420)
Prior year adjustments	2,154	160	-	(4)	207	-
Balance at end of the year	**2,344**	**(23,790)**	**-**	**190**	**(17,939)**	**-**
Representing:						
Accelerated depreciation for tax purposes	-	(1,955)	(2,403)	-	(360)	3,584
Unrealised gains on shareholders' investments	-	24,535	8,521	-	18,342	1,879
Policy loan impairment		1,114	-	-	-	-
Prior year adjustments	2,154	160	-	-	-	-
Deferred lease	-	(64)	(107)	-	(43)	(43)

There were no temporary differences associated with investment in subsidiaries, associates and interest in joint ventures for which deferred tax liabilities have not been recognised.

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
11.Trade and other payables				
Insurance payables				
Due to agents and brokers	73,383	46,189	-	-
Due to reinsurers	8,014	17,381	-	-
Life Insurance claims payable	182,355	172,646	-	-
Life Insurance premiums received in advance	83,392	76,040	-	-
Other payables				
Other accounts payable	104,834	123,157	25,717	33,988
	451,978	**435,413**	**25,717**	**33,988**

Terms and conditions of the above financial liabilities are:

Trade payables are non-interest bearing insurance related liability and their terms and conditions are as follows.

- Insurance claims are settled within 30 days
- Reassurance payable are settled within 90 days
- Intermediary retention balances are amounts held on behalf of brokers and agents and are released on the aniversary of the policy.

Other payables are non-interest bearing and have an average term of 90 days.

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
11.1 Non life insurance contracts liabilities				
Claims reported and loss adjustment expenses	6,269	3,177	-	-
Claims incurred but not reported	2,931	1,693	-	-
Unearned premium	13,540	4,083	-	-
	22,740	8,953	-	-
Claims lodged with the insurance company are payable within 30 days				
Unearned premiums are amortised over the term of the policy which is a year.				
11.2 Claims reported and loss adjustment expenses				
Balance at the beginning of the year	3,177	2,153	-	-
Current year provisions	5,894	2,730	-	-
Utilised in the current year	(2,802)	(1,706)	-	-
Closing balance at the end of the year	6,269	3,177	-	-
11.3 Claims incured but not reported				
Balance at the beginning of the year	1,693	906	-	-
Current year provisions	2,939	1,602	-	-
Utilised in the current year	(1,693)	(815)	-	-
Closing balance at the end of year	2,939	1,693	-	-
11.4 Unearned premium				
Balance at the beginning of the year	4,083	9	-	-
Premiums raised during the year	25,420	5,340	-	-
Premiums utilised during the year	(15,963)	(1,266)	-	-
Closing balance at the end of year	13,540	4,083	-	-
11.5 Deferred reinsurance acquisition revenue				
Balance at the beginning of the year	323	-	-	-
Reinsurance commission	2,493	893	-	-
Utilised during the year	(1,397)	(570)	-	-
Closing balance at the end of year	1,419	323	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
12. Premium revenue				
Life Insurance				
Individual life	1,456,058	1,513,244	-	-
Gross premium	1,456,185	1,519,183	-	-
- Recurring premium	800,287	774,492	-	-
- Single	655,898	744,691	-	-
Premium ceded to reinsurers	(127)	(5,939)	-	-
Group and employee benefits	388,185	394,796	-	-
Gross premium	394,097	409,685	-	-
- Recurring premium	90,315	92,763	-	-
- Single	303,782	316,922	-	-
Premium ceded to reinsurers	(5,912)	(14,889)	-	-
Non life insurance				
Insurance contracts	47,663	42,584		
Gross insurance premium revenue	57,120	46,659	-	-
Gross change in unearened premium	(9,457)	(4,075)	-	-
Reinsurance contracts	(5,461)	(1,039)	-	-
Gross insurance premium revenue ceded to reinsurers	(9,130)	(2,618)	-	-
Change in unearned premium	3,669	1,579	-	-
Total non life premium revenue	42,202	41,545	-	-
	1,886,445	1,949,585	-	-
13. Investment income				
Shareholders' investment income				
Interest income in financial assets at fair value through profit or loss	14,245	19,261	-	-
Cash and cash equivalents interest income	20,128	17,707	190	248
Rental income on investment properties	11,921	6,777	-	-
Other income	-	-	-	457
Dividends	4,561	34,862	98,375	157,400
Investment management fees	(5,271)	(3,856)	-	-
	45,584	74,751	98,565	158,105
Policyholders' investment income				
(i) policyholder insurance contracts				
Interest income in financial assets at fair value through profit or loss	352,492	292,199	-	-
Rental income on investment properties	7,429	9,183	-	-
Dividends	49,482	88,558	-	-
Investment management fees	(38,822)	(28,312)	-	-
	370,581	361,628	-	-
(ii) policyholder investment contracts				
Interest income in financial assets at fair value through profit or loss	66,822	96,033	-	-
Rental income on investment properties	20,923	23,873	-	-
Dividends	91,201	72,630	-	-
	178,946	192,536	-	-
Total Policyholder's investment income	549,527	554,164	-	-
Total Investment income	**595,111**	**628,915**	**98,565**	**158,105**

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
13.1 Net gains from financial assets held at fair value through profit or loss				
Shareholders' net gain from financial assets held at fair value through profit or loss				
shareholder				
Fair value gains on investments	71,056	9,189	-	-
Foreign exchange gains/(losses)	9,056	(1,805)	-	-
Less: treasury share adjustment	-	2,896	-	-
	80,112	10,280	-	-
Policyholders' net gain from financial assets held at fair value through profit or loss				
Insurance contracts				
Fair value gains on investments	609,511	208,281	-	-
Foreign exchange gains	112,463	43,247	-	-
	721,974	251,528	-	-
Investment contracts				
Fair value gains on investments	1,541,041	191,109	-	-
	1,541,041	191,109	-	-
Total Policyholder net gains from financial assets held at fair value through profit or loss	2,263,015	442,637	-	-
Total net gains from financial assets held at fair value through profit or loss	**2,343,127**	**452,917**	**-**	**-**

14. Net insurance benefits and claims

	GROUP		COMPANY	
Life insurance contracts				
Individual life				
Death and disability claims	128,736	113,979	-	-
Maturity claims	157,243	127,585	-	-
Policy surrenders	221,013	139,580	-	-
Annuities	337,637	301,135	-	-
Reinsurance share on death and disability claims	1,741	(1,240)	-	-
Total individual life	846,370	681,039	-	-
Group and employee benefits				
Death and disability claims	197,376	217,191	-	-
Reinsurance share on death and disability claims	(5,421)	(9,489)	-	-
Total group and employee benefits	191,955	207,702	-	-
Total net insurance claims and benefits under life insurance contracts	1,038,325	888,741	-	-
Non-life insurance contracts				
Gross claims	24,425	15,956	-	-
Reinsurance recovery	(3,013)	(522)	-	-
Total net insurance benefits and claims under non-life insurance contracts	21,412	15,434	-	-
Total net insurance benefits and claims	**1,059,737**	**904,175**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
15. Administration expenses include:				
Auditors' remuneration				
- audit fee current period	4,481	7,271	486	431
- other services	1,315	430	-	430
Depreciation on property, plant and equipment (note 2)	4,458	4,392	640	374
Amortisation of computer software (note 3)	8,307	6,423	-	-
Directors' fees				
- for services as directors	3,114	2,603	1,353	2,520
- for managerial services	1,018	1,850	1,018	1,850
- pension contribution	450	414	450	414
Operating lease rentals	14,702	15,423	795	1,434
Staff costs				
Salaries and wages for administration staff	125,975	102,704	9,018	18,468
Pension costs	10,045	10,113	1,491	2,321
Medical aid	2,091	1,973	367	340
Share based payment	6,248	3,122	1,422	772
CSP	5,810	626	1,329	772
SOS	236	2,176	93	-
- for managers	202	-	-	-
- for staff	-	320	-	-
Total staff costs	144,360	117,912	12,298	21,901
Average number of employees	380	369	28	33
16. Taxation				
Current tax	(81,340)	(85,616)	695	(638)
Deferred tax	(6,011)	(5,420)	-	-
Withholding tax on dividends	-	-	(7,378)	(11,805)
Capital gains tax	2,730	100	-	-
Tax charge	**(84,621)**	**(90,936)**	**(6,683)**	**(12,443)**
Tax reconciliation				
The tax on income before tax differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit before tax	579,394	485,331	48,464	128,749
Tax calculated at a tax rate of 22% (2012:22%)	127,469	106,775	10,662	28,325
Effect of changing tax rates	-	-	-	-
Expenses not deductible for tax	15,069	18,793	3,792	9,993
Different tax on offshore dividends	29	(5)	-	-
Income not subject to tax	(60,676)	(34,527)	(393)	(11,018)
Withholding tax on dividends	-	-	(7,378)	(11,805)
Effect of assessed losses	-	-	-	(3,052)
Capital gains tax	2,730	(100)	-	-
Tax charge	84,621	90,936	6,683	12,443
16.1 Tax Paid				
Opening balances	(10,155)	11,024	638	-
Charge for the year	78,610	85,516	6,683	12,443
Closing balance	25,751	10,155	2,969	(638)
Tax paid	94,206	106,695	10,290	11,805

GROUP	31 December 2013 P'000	31 December 2012 P'000
17. Earnings per share (Group only)		
Earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Net profit attributable to ordinary equity holders of the parent for basic earnings and diluted earnings	492,500	390,918
Number of shares in issue	281,071	281,071
Staff share scheme and treasury shares	(11,291)	(12,960)
Weighted average number of shares used for calculating basic earnings per share	269,780	268,111
Weighted number of dilutive options	2,140	1,783
Weighted average number of shares used for calculating diluted earnings per share	271,920	269,894
Earnings per share (thebe)		
- basic	183	146
- diluted	181	145

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

18. Dividends per share paid during the period (net)

Declared and paid during the year:	Record date	P'000
Final dividend for the year to 31 December 2012:20 thebe (2011: 41 thebe)	19-Apr-2013	56,214
Interim dividend for six months to 30 June 2013: 15 thebe (2012: 15 thebe)	18-Oct-2013	42,161
		98,375
Dividend proposed after year end not recognised in the financial statements:		
Final dividend for the year to 31 December 2013: 35 thebe (2012: 20 thebe)	11-Apr-2014	98,375
Dividend proposed for approval at AGM (Before withholding tax - not recognised as liability at 31 December)		98,375
Withholding tax on dividends		(7,378)
Dividend proposed for approval at AGM (After withholding tax - not recognised as liability at 31 December)		90,997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

19. Related party disclosures

The financial statements include the financial statements of Botswana Insurance Holdings Limited, subsidiraies, associates and Joint ventures as listed in the following table:

Principal subsidiaries	COUNTRY OF INCORPORATION	% OF INTEREST HELD December 2013	December 2012	Nature of business
Directly held				
Botswana Life Insurance Limited	Botswana	100	100	Life insurance
Bifm Holdings Company Limited	Botswana	100	100	Holding company
BLI Investments (Pty) Limited	Botswana	100	100	Holding company
IGI Insurance Holdings Limited	Botswana	100	100	Dormant
Bifm Unit Trusts (Pty) Ltd	Botswana	100	100	Unit Trusts
Genebase Holdings (Pty) Ltd	Botswana	100	100	Dormant
Regetta Investments (Pty) Ltd	Botswana	100	100	Dormant
BIHL Legal Guard (Pty) Ltd	Botswana	100	100	Dormant
BIHL Insurance Company Limited	Botswana	100	100	Short term insurance
BIHL Trust	Botswana	N/A	N/A	Corporate Social Responsibility
BIHL Employee Share Scheme Trust	Botswana	N/A	N/A	Employee Share Trust
Indirectly held				
Botswana Insurance Fund Management Limited	Botswana	100	100	Asset management
Botswana Life Properties (Pty) Limited	Botswana	100	100	Dormant
Bifm Holdings and Financial Services Limited	Isle of Man	100	100	Holding company
Bifm Capital Investment Fund 1	Botswana	100	100	Corporate finance
Quantum Assets Zambia Limited	Zambia	70	70	Asset management
Bifm Projects (Pty) Limited	Botswana	100	100	Dormant
KYS Investments (Pty) Limited	Botswana	63	63	Holding company
Photon Private Equity Fund Managers (Pty) Limited:	Botswana	100	100	Dormant

The holding company

The ultimate holding company of the Group is Sanlam Limited which is based and listed in South Africa.

Associates and Joint ventures

The Group's interest in associates and joint ventures is disclosed in note 4.5 to the financial statements.

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
19.1 Related party transactions				
Transactions on insurance contracts (Expense)/Income				
i) Sanlam Limited (54% shareholder of BIHL)				
- Premium ceded to reinsurer	(4,539)	(3,758)	-	-
- Claim recoveries from reinsurer	3,563	3,080	-	-
- Recoveries and other	8,781	7,855	-	-
ii) Letshego Holdings Limited (Associate company of BIHL) Credit life income	114,733	100,326	-	-
Claims paid	(89,755)	(111,134)	-	-
Dividends received	38,406	31,381	-	-
iii) Funeral Services Group Limited (FSG) (Associate company of BIHL) Share of income	884	1,342	-	-
Dividends received	3,549	3,085	-	-
iv) Aflife Zambia (Associate company of Bifm Holdings Ltd) Technical fees	4,228	3,190	-	-
Loans to associates				
Plot 21	290	560	-	-
Bongwe	764	3,102	-	-
Terms and conditions of the loans				
The loan to Plot 21 is unsecured and repayable over 6 years. The interest interest is charged at 15%. The loan to Bongwe is unsecured and repayable over 5 years. The interest interest is charged at 9%.				
Summary of transactions with related parties				
- Shared expenses				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	15,777	15,001
- BIFM(100% owned by BIHL)	-	-	4,937	2,520
- BIHL Unit Trusts (100% owned by BIHL)	-	-	11	582
- BIHL Trust (CSI)	-	-	9	-
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	5,539	4,605
- Dividends received				
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	60,375	129,400
- BIFM(100% owned by BIHL)	-	-	38,000	28,000

19. Related party disclosures (continued)

Year end balances arising from transactions on other services other than insurance contracts

	AMOUNT RECEIVABLE/(PAYABLE)			
	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
- Botswana Life Insurance Limited (100% owned by BIHL)	-	-	(160,164)	(117,800)
- BIFM(100% owned by BIHL)	-	-	(416)	1,905
- BIHL Unit Trusts (100% owned by BIHL)	-	-	2,488	2,477
- Genebase Holdings (Pty) Limited (100% owned by BIHL)	-	-	-	-
- BLI Investments (Pty) Limited (100% owned by BIHL)	-	-	1,791	-
- BIHL Trust	-	-	239	(289)
- BIHL Insurance Company Limited (100% owned by BIHL)	-	-	3,197	7,092
- Sanlam (54% shareholder of BIHL)	3,041	(4,157)	-	-
	3,041	(4,157)	(152,865)	(106,615)
Year end balances arising from transactions on insurance contracts.				
Net due from				
- Sanlam Limited	-	-	-	-

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

Loans to directors (Group)
There were no loans to directors.

Terms and conditions of transactions with related parties
The transactions between related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and are generally settled in 90 days. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Group has recorded an impairment of receivables relating to amounts owed by related parties of P 19.5 million (2012: PNIL). 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 31 December 2013 P'000	Group 31 December 2012 P'000	Company 31 December 2013 P'000	Company 31 December 2012 P'000
- Short-term employee benefits	26,097	29,787	9,448	6,966
- Pension costs - defined contribution plans	1,683	811	353	208
- Share based payments	3,482	2,367	1,422	772
- Other long-term benefits	12,482	2,212	305	716
	43,744	35,177	11,528	8,662

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

(ii) Directors' shareholding in Group

	Opening balance	Purchases/ (Sales)	Closing balance
B Dambe-Groth	44,115	-	44,115
M Mpugwa	12,451	(4,749)	7,702
U Corea	15,000	-	15,000
C Chauhan	75,020	-	75,020
Total	146,586	(4,749)	141,837

(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	Month of service	Salary	Bonus	Other Long term benefits	Total
		P'000	P'000	P'000	P'000
2013					
G Hassam	12	2,000	750	2,426	5,176
Total executive directors		**2,000**	**750**	**2,426**	**5,176**
2012					
G Hassam	12	1,850	900	414	3,164
Total executive directors		**1,850**	**900**	**414**	**3,164**

(b) Long-term emoluments
Share purchase plans

Name	No. of options	No of grants - CSP	Strike price (Pula)	Exercised	Forfeited	Outstanding	Expiry date
2013							
G Hassam							
Granted 2010	87,492	34,664	10.48	(52,989)	-	69,167	2020
Granted 2011	-	22,009	-	-	-	22,009	2021
Granted 2012	-	113,904	-	-	-	113,904	2022
Granted 2013	-	44,744	-	-	-	44,744	2023
Total	**87,492**	**215,321**		**(52,989)**	**-**	**249,824**	
2012							
G Hassam							
Granted 2010	87,492	34,664	10.48	-	-	122,156	2020
Granted 2011	-	22,009	-	-	-	22,009	2021
Granted 2012	-	113,904	-	-	-	113,904	2022
Total	**87,492**	**170,577**				**258,069**	

All shares as disclosed above are granted and are exercisable until the expiry date as disclosed. Refer to note 21(b) for additional information on the scheme.

20. Commitments

Operating lease commitments
The future minimum lease payments under non-cancellable operating leases

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
Within one year	13,560	12,438	1,366	1,688
Within two to five years	8,880	21,805	1,502	3,216

The operating lease is for buildings that the Group is renting for business purposes.

21. Employee benefits

(a) Retirement benefit plan

Defined contribution plan
A defined contribution plan is a pension plan under which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Group in a fund under the control of trustees.

The total expense charged to income of P 10.0 million (2012: P 8.4 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plan.

(b) Share-based payment
The Group has a share based payment scheme. The scheme is divided for (i) Management (ii) Other Staff.

The Group introduced additional two new schemes in 2010. These are (iii) The Share Option Scheme and (iv) The Conditional Share Plan

(i) Management Staff scheme
The management scheme is classified as equity settled share based payment. The objective of the scheme is to retain staff. Management staff are granted options to purchase shares after a period of 2 continuous service to the Group. The share options vest after a period of 6 years, of continuous service, from the grant date; 1/3 vesting after every 2 years. The options are issued at the ruling market price on the date of grant.

After the share options have vested, employees are given a period of 10 years from the date of vesting to exercise their option. The amount carried in the share based reserve at 31 December 2013 is P20.8 million (31 December 2012: P 20.6 million). The expense recognised in the income statement is P 202,000 (2012: P15,596).

Movement during the year	31 DECEMBER 2013 Number of share options 000	31 DECEMBER 2013 Weighted average price Pula	31 DECEMBER 2012 Number of share options 000	31 DECEMBER 2012 Weighted average price Pula
Outstanding at the beginning	1,425	7.44	2,558	10.23
Granted	-	-	-	-
Forfeited	(450)	16.90	(626)	16.90
Exercised	(242)	8.53	(508)	3.60
Outstanding at the end of year	733	16.53	1,425	7.44
Exercisable at 31 December	550	16.90	967	15.89

Price	Number of options outstanding
8.70	33,333
16.90	700,000
	733,334

The weighted average remaining contractual life for the shares outstanding as at 31 December 2013 is 6 years (2012: 7 years).
There were no new grants during the year . (2012: NIL)
The range of exercise prices for options outstanding at the end of the year was P8.70 - P16.90 (2011: P8.50-P16.90).

(ii) Other Staff

Staff are granted share options after a period of 2 continuous years of service to the group. The share options vest after a period of 3 years of continuous service from the grant date; therefore the employee has to be continuously employed with the group for 5 years before the shares vest. Staff do not pay for the share options. As the settlement is by way of shares, the scheme is classified as equity settled for accounting purposes. The carrying amount of the share based payment reserve was P42.1 million (2012: P42.1 million). The expense recognised in the income statement was P NIL (2011: P304,510).

Movement during the year	31 DECEMBER 2013 Number of share options 000	31 DECEMBER 2013 Weighted average price Pula	31 DECEMBER 2012 Number of share options 000	31 DECEMBER 2012 Weighted average price Pula
Outstanding at the beginning	603	9.85	2,864	9.85
Granted	-	-	-	-
Forfeited	-	-	(788)	8.70
Exercised	(603)	8.70	(1,473)	8.70
Outstanding at the end of year	-	-	603	11.00

All options under the staff scheme were exercised during the year.

(iii) The Share Option Scheme (SOS)

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

21. Employee benefits (continued)

BIHL grants the employees option to obtain shares in BIHL The share options vests after a period of three years of continiuos service from the grant date. The employer companies will, however, remain responsible to fund the procurement and settlement of shares issued to its employees in terms of the scheme at the time the shares are so procured.The shares are issued at the ruling market price on the date of the grant. The subsidiaries account for the awards as cash settled while the Holding Company accounts and Group accounts for the awards as equity settled.

After the share options have vested, employees are given a period of 10 years from the offer date to exercise their option. The amount carried in the share based reserve at 31 December 2013 is P2.2 million (31 December 2012: P 2 million). The expense recognised in the income statement is P 236,000 (2012: P 624,999).

	31 DECEMBER 2013		31 DECEMBER 2012	
Movement during the year	**Number of share options 000**	**Weighted average price Pula**	**Number of share options 000**	**Weighted average price Pula**
Outstanding at the beginning	1,046	10.77	1,562	10.77
Granted	-	-	-	-
Forfeited	(70)	11.75	(516)	10.25
Exercised	(158)	11.00	-	-
Outstanding at the end of year	818	10.77	1,046	10.77
Exercisable at 31 December	458	10.11	-	-

The were NIL options granted during the year. (2012:P NIL). The weighted average value of options granted during the year was P NIL(2011: P11.75)

The weighted average remaining contractual life for the shares outstanding as at 31 December 2013 is 9 years (2011: 10 years)

The range of exercise prices for options outstanding at the end of the year was P8.50 - P11.75.(2012:P8.51-P11.75)

(iv) Conditional Share Plan (CSP)

The purpose of the plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the Group. The awards are given as grants. The awards are aligned to strategic periods and targets.Employees must remain in service for a period of three consecutive years from the date of grant. Vesting is based on satisfactory performance of individulas 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 subsidiaries account for the awards as cash settled while the Holding Company and Group accounts for the awards as equity settled.

(iv) Conditional Share Plan (CSP) (Continued)
The amount carried in the share based reserve at 31 December 2013 is P12.2 million (31 December 2012: P6.4 million). The expense recognised in the income statement is P 5.8 million (2012: P2.2 million).

	31 DECEMBER 2013		31 DECEMBER 2012	
Movement during the year	**Number of share options 000**	**Weighted average price Pula**	**Number of share options 000**	**Weighted average price Pula**
Outstanding at the beginning	1,186	10.32	564	9.92
Granted	1,294	10.36	852	10.26
Forfeited	(53)	9.08	(230)	9.10
Exercised	(287)	10.54	-	-
Outstanding at the end of year	2,140	10.35	1,186	10.32

The weighted average remaining contractual life for the shares outstanding as at 31 December 2012 is 10 years (2012: 10 years)
The number of Conditional shares granted during the year was 1,294,424 (2012: 851,907).

The weighted average fair value of shares granted during the year was P10.36 (2012:P 10.26)
The exercise prices for options outstanding at the end of the year was P10.35 (2012: P 10.32).

21. Employee benefits (continued)

The following assumptions have been used in the valuations model of the scheme:

	31 December 2013	31 December 2012
Dividend yield	N/A	N/A
Volatility	N/A	N/A
Risk free interest rate	N/A	N/A
Spot price (thebe)	10.35	10.26
Weighted average share price (Pula)	10.36	10.26
% of remaining employees	80.00%	80.00%

Options pricing model

Since the BIHL employee share options are not tradable, IFRS 2 requires that the fair value of these options be calculated using a suitable option-pricing model. In terms of best practice, we have adopted a modified binomial tree model for valuation purposes, which can be described, at a high-level, as follows:

i) The life of the option is divided into a large number of small time periods.

ii) A binomial tree is developed with time-dependent nodes corresponding to projected upward and downward movements of the BIHL share. This projection is calculated as a function of the volatility of the underlying share, and by assuming that the share price follows a stochastic process.

iii) Starting from the maturity date of the option, the model works backward through the tree, and at each node determines two possible values for the option: (a) the value of the option if one were to continue to hold it at that point in time, and (b) the value of the option if one were to exercise it at that node. Value (a) above is calculated using arbitrage-free principles and risk-neutral valuation theory, while value (b) is calculated simply as the difference between the projected spot price of the underlying share at that node and the strike price of the option.

iv) For time periods subsequent to the vesting date of each option, the model uses the greater of the two values referred to above to estimate the option's value at that node. For time periods prior to the vesting date, only value (1) 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.

22. Cash generated from operations

	GROUP		COMPANY	
	31 December 2013 P'000	**31 December 2012 P'000**	**31 December 2013 P'000**	**31 December 2012 P'000**
Profit before tax as per income statement	579,394	485,331	48,464	128,749
Non cash flow items	(2,536,411)	(794,124)	37,062	2,039
Profit on sale of subsidiary	-	(6,075)	-	-
Loss on sale of Property and Equipment	3	-	-	-
Depreciation	4,458	4,392	640	375
Amortisation	8,307	6,423	1,940	892
Impairment of investment in subsidiaries	-	-	33,060	-
Unrealised fair value gains on shareholder assets	(80,112)	(10,280)	-	-
Net gains from financial assets held at fair value through profit or loss	(2,263,015)	(442,637)	-	-
Unrealised fair value gains on investment properties	(23,098)	(152,587)	-	-
Equity-accounted earnings	(189,202)	(196,482)	-	-
Share - based payments	6,248	3,122	1,422	772
Items disclosed separately	(598,931)	(452,587)	(91,187)	(145,843)
Interest received	(453,687)	(329,167)	(190)	(248)
Dividends received	(145,244)	(123,420)	(90,997)	(145,595)
Working capital changes:	(1,871,365)	2,452,296	38,306	48,959
Net (increase)/decrease in trade and other receivables	(61,640)	6,618	4,086	(4,925)
Change in policyholder liabilities	(1,842,977)	2,379,167	-	-
Decrease in reinsurance assets	2,917	8,426	-	-
Net increase in trade and other payables	30,335	58,085	34,220	53,884
Cash (utilised in)/generated from operations	**(4,427,313)**	**1,690,916**	**32,645**	**33,904**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	31 December 2013 P'000	31 December 2012 P'000	31 December 2013 P'000	31 December 2012 P'000
23. Cash and bank				
Cash and bank	119,936	116,593	5,902	19,755
Funds on deposit	460,738	643,946	-	-
Cash and cash equivalents	580,674	760,539	5,902	19,755

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 3.5% (2012: 5%). Funds on deposit have a maturity of three months or less.

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

24. Risk management

Financial risks

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

Type of risk	Description
Financial risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following:
	Equity price risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
	Interest rate risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
	Currency risk: the risk that fair value or future cashflows of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.
Credit risk	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk includes:
	Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the re-insurance 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.

Type of risk	Description
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.

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

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

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

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

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

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

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

24. Risk management (continued)

Sensitivity analysis to interest rate risk
The sensitivity analysis is based on Bank of Botswana 91 days Floating paper for Pula deposit and LIBOR for USD deposits.

The Group is exposed to interest rate risk through a change in interest income or expense based on floating rate instruments and through changes in fair value of financial instruments at fair value through profit and loss based on fixed rate instruments. The impact on equity is the post tax amount.

The purpose of this note is to enable the user to have a better understanding of the effect of interest rate movement on interest bearing instruments. Interest rate risk relates to variable rate financial instruments, call deposit accounts and floating rate fixed income securities. The following table sets out the carrying amounts of the Group's financial instruments that are exposed to interest rate risk.

Variable interest rates

GROUP	Change in variables	Values	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
		P'000	P'000	P'000
31-Dec-2013				
BWP	0.5%	220,933	1,105	862
BWP	-0.5%	220,933	(1,105)	(862)
USD	0.5%	83,697	418	326
USD	-0.5%	83,697	(418)	(326)
31-Dec-2012				
BWP	0.5%	311,004	1,555	1,213
BWP	-0.5%	311,004	(1,555)	(1,213)
USD	0.5%	72,084	360	281
USD	-0.5%	72,084	(360)	(281)

COMPANY	Change in variables	Values	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
		P'000	P'000	P'000
31-Dec-2013				
BWP	0.5%	5,902	30	23
BWP	-0.5%	5,902	(30)	(23)
31-Dec-2012				
BWP	0.5%	19,755	99	77
BWP	-0.5%	19,755	(99)	(77)

Fair value sensitivities

GROUP	Change in variables	Values	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
		P'000	P'000	P'000
31-Dec-2013				
BWP	0.5%	131,981	660	515
BWP	-0.5%	131,981	(660)	(515)
31-Dec-2012				
BWP	0.5%	130,309	652	508
BWP	-0.5%	130,309	(652)	(508)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Botswana Pula and its exposure to foreign exchange risk arises primarily with US dollar. It is the Group's objective to minimise currency risk to a minimum.

The main foreign exchange risk arises from recognised assets denominated in currencies other than those in which Insurance and Investment liabilities are expected to be settled. The Group does not have a specific policy to manage foreign exchange risk. It does not make use of any derivative financial instruments to manage foreign exchange rate risk.

GROUP	United States Dollar	Other currencies	Total
	P'000	P'000	P'000
31-Dec-2013			
Equity instruments	4,547,454	-	4,547,454
Money market instruments	150,848	-	150,848
Bonds	355,795	-	355,795
Foreign currency exposure	5,054,097	-	5,054,097
Average rate	8.50	-	-
Closing rate	8.98	-	-
31-Dec-2012			
Equity investments	5,546,508	-	5,546,508
Money market instruments	223,404	-	223,404
Bonds	319,255	-	319,255
Foreign currency exposure	6,089,167	-	6,089,167
Average rate	7.50	-	-
Closing rate	7.78	-	-

24. Risk management (continued)

Currency sensitivity
The following table demonstrates the sensitivity (for shareholder funds and assets backing non participating policies) to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

GROUP	Change in variables	Values	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
		P'000	P'000	P'000
31-Dec-2013				
USD	5%	5,054,097	252,705	197,110
USD	-5%	5,054,097	(252,705)	(197,110)
31-Dec-2012				
USD	5%	6,089,167	304,458	237,478
USD	-5%	6,089,167	(304,458)	(237,478)

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 property risk sensitivities is included in the equity price risk as the portfolio comprise of listed assets. 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 as financial instruments backing non participating or not market linked insurance contract liabilities.

GROUP	Change in variables	Values	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
		P'000	P'000	P'000
31-Dec-2013				
DCI	15%	22,079	3,312	2,583
DCI	-15%	22,079	(3,312)	(2,583)
MSCI	10%	14,264	1,426	1,113
MSCI	-10%	14,264	(1,426)	(1,113)
31-Dec-2012				
DCI	15%	2,452	368	287
DCI	-15%	2,452	(368)	(287)
MSCI	10%	7,094	709	553
MSCI	-10%	7,094	(709)	(553)

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 recievables, reinsurance contracts recievables,deferred insurance aquisition cost, local money markets, related party recievables and cash and bank balances with banks will not be redeemed by the relevant counter parties when they become due .

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

24. Risk management (continued)

The policyholder and shareholder funds follow a specific investment mandates that have been agreed with asset managers. These mandates depict how much type of assets to hold in each portfolio based on their perceived risk and thereby reducing both concentration of specific assets and of currency. There is also a diversity in the different sectors of economy in which our funds are invested, see note 4. Investments in government bonds, money markets and corporate bonds are managed by BIFM the asset management subsidiary as per signed mandates.

There is no concentration on money markets, cash and bank, the risk is spread as the Group and company invest with various banks in the country.

Maximum credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet and so called off balance sheet exposures, such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives.

The disclosures are based on both shareholder and policyholder assets

GROUP	2013 Total P'000	2012 Total P'000
Long term Reinsurance assets	6,124	9,041
Bonds - Government	2,183,434	1,550,492
- Corporate (listed, unlisted)	2,866,455	3,522,738
Money market instruments	143,262	118,331
Policy loans and other loan advances	482,259	540,370
Insurance and other receivables	238,677	182,798
Reinsurance contracts recevable	5,985	1,816
Deferred insurance acquisition cost	2,051	465
Cash, deposits and similar securities	580,674	760,539
Maximum credit risk exposure	6,508,921	6,686,590

COMPANY	2013 Total P'000	2012 Total P'000
Other receivables	1,251	1,578
Related party balances	7,715	11,474
Cash, deposits and similar securities	5,902	19,755
Maximum credit risk exposure	14,868	32,807

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. Generaly most companies' financial instruments do not have offical credit ratings therefore majority of balances are not rated. Moody's Investors Service retained the stable outlook and the A2 rating for both foreign and domestic bonds. The A2 rating is based on the assessment that balances potential challenges associated with a country having a small size economy and middle-income status, against the strength relating to the country's sound policy framework and effectiveness of government. The assessment further noted that, in the course of this year (2013), consumer price inflation has declined and is now within the Bank of Botswana's medium-term policy objective of 3 – 6 percent.

As in previous years, Moody's noted that, given the healthy financial position and the stable political and financial environment, the risks that could put renewed pressure on the ratings are judged to below.

	Foreign currency Pula equivalent	Botswana Pula	A2 rated	Not rated	Total P'000
31 December 2013					
Longterm Reinsurance assets	-	6,124	-	6,124	6,124
Government bonds	-	2,183,434	2,183,434	-	2,183,434
Corporate bonds and other	-	2,866,455	-	2,866,455	2,866,455
Money Markets	73,778	69,484	-	143,262	143,262
Policy loans and other loan advances	-	482,259	-	482,259	482,259
Insurance and other receivables	-	238,677	-	238,677	238,677
Reinsurance contracts recevable	-	5,985	-	5,985	5,985
Deferred insurance acquisition cost	-	2,051	-	2,051	2,051
Cash and bank balances	-	580,674	-	580,674	580,674
Total assets	73,778	6,435,143	2,183,434	4,325,487	6,508,921
31 December 2012					
Longterm Reinsurance assets	-	9,041	-	9,041	9,041
Government bonds	-	1,550,492	1,550,492	-	1,550,492
Corporate bonds and other	-	3,522,738	-	3,522,738	3,522,738
Money Markets	46,037	72,294	-	118,331	118,331
Policy loans and other loan advances	-	540,370	-	540,370	540,370
Insurance and other receivables	-	182,798	-	182,798	182,798
Reinsurance contracts recevable	-	1,816	-	1,816	1,816
Deferred insurance acquisition cost	-	465	-	465	465
Cash and bank balances	-	760,539	-	760,539	760,539
Total assets	46,037	6,640,553	1,550,492	5,136,098	6,686,590

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

24. Risk management (continued)

Credit quality of interest bearing financial assets (continued)

None of the non rated assets are impaired as at 2013 and 2012 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. Continous monitoring is also performed. Money market investments are with reputable local banks and reputable foreign fund managers with good financial wealth. Policy loans are secured by the policy investment value. Related party balances are not impaired since the receivable is within the same group. Trade and other receivables are on 30 day terms (refer note 5).

Collateral held as security for 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 and for cash purposes. 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.

	31 DECEMBER 2013		31 DECEMBER 2012	
	Collateral held P'000	Credit exposure P'000	Collateral held P'000	Credit exposure P'000
Botswana Building Society	-	11,758	-	11,758
ABC Holdings, RDC Properties	-	351,011	-	351,011
Botho Park	123,000	63,924	123,000	63,924
CA Sales & Distribution	60,000	73,573	60,000	73,573
Botswana Savings Bank	-	61,342	-	61,342
Choppies	160,000	42,117	35,000	42,117
RDC properties	-	50,573	-	50,573
Three Partners Resort	160,000	70,606	160,000	70,606
Stanbic Bank of Botswana	-	454,108	-	454,108
First National Bank of Botswana	-	190,044	-	190,044
Lonrho Hotels Botswana	-	33,721	-	33,721
Real People Investment Holdings	-	111,828	-	111,828
Allied Investments	100,000	84,665	100,000	84,665
Prime Time holdings	26,250	22,486	26,250	22,486
BIFM Offshore bond	-	319,487	-	-
BIFM Local Bond	-	419,866	-	-
Total	629,250	2,361,109	504,250	1,621,756

Liquidity risk

The liquidity risk arises from the potential inability of the Group paying its policy holders and short term creditors when they become due or they mature, because assets are not properly matched. There is an Actuarial committee and an Investment Committee that meet periodically to review the matching of assets and liabilities and other investment decisions; the Group is continually looking for investments that match its liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt facilities from various financiers.

The maturity analysis of policyholder liabilities are based on expected maturities as modelled by the actuaries. The investment contracts are due on demand. Assets maturities have been disclosed on the basis of contractual maturities. The disclosures are based on both shareholder and policyholder assets

Maturity analysis of Financial assets and Financial Liabilities:

GROUP 31 December 2013	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Financial Assets:					
Long term Reinsurance assets	4,531	1,592	-	-	6,123
Bonds (Government, public authority, listed & unlisted corporates)	85,072	1,010,709	3,860,790	-	4,956,571
Money market instruments	143,262	-	-	-	143,262
Equity investments	-	-	-	5,711,195	5,711,195
Policy loans and other loan advances	-	482,259	-	-	482,259
Related party balances	-	-	-	-	-
Insurance and other receivables	238,677	-	-	-	238,677
Reinsurance contracts recevable	5,985	-	-	-	5,985
Deferred insurance acquisition cost	2,051	-	-	-	2,051
Cash, deposits and similar securities	580,674	-	-	-	580,674
	1,060,252	1,494,560	3,860,790	5,711,195	12,126,797
Financial Liabilities:					
Policy holders liabilities					
-Insurance contracts	98,819	1,070,950	1,330,626	4,309,313	6,809,708
-Investment contracts	-	-	-	4,313,530	4,313,530
Related party balances	3,041	-	-	-	3,041
Insurance and other payables	451,978	-	-	-	451,978
Short term insurance contract liabilities	22,740	-	-	-	22,740
Deferred reinsurance acquistion revenue	1,419	-	-	-	1,419
	577,997	1,070,950	1,330,626	8,622,843	11,602,416

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

24. Risk management (continued)

Liquidity risk (continued)

Maturity analysis of Financial assets and Financial Liabilities (continued):

GROUP 31 December 2012	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Financial Assets:					
Long term Reinsurance assets	410	8,631	-	-	9,041
Bonds (Government, public authority, listed & unlisted corporates)	449,281	2,385,874	2,238,076	-	5,073,231
Money market instruments	118,331	-	-	-	118,331
Equity investments	-	-	-	7,003,472	7,003,472
Policy loans and other loan advances	-	540,370	-	-	540,370
Related party balances	-	-	-	-	-
Insurance and other receivables	182,798	-	-	-	182,798
Reinsurance contracts recevable	1,816	-	-	-	1,816
Deferred insurance acquisition cost	465	-	-	-	465
Cash, deposits and similar securities	760,539	-	-	-	760,539
	1,513,640	2,934,875	2,238,076	7,003,472	13,690,063
Financial Liabilities:					
Policy holders liabilities					
-Insurance contracts	118,278	932,684	1,170,116	3,370,994	5,592,072
-Investment contracts	-	-	-	7,374,142	7,374,142
Related party balances	4,157	-	-	-	4,157
Insurance and other payables	435,414	-	-	-	435,414
Short term insurance contract liabilities	8,953	-	-	-	8,953
Deferred reinsurance acquistion revenue	323	-	-	-	323
	567,125	932,684	1,170,116	10,745,136	13,415,061

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

COMPANY 31 December 2013	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Financial Assets:					
Trade and other receivables	1,251	-	-	-	1,251
Related party balances	7,715	-	-	-	7,715
Cash, deposits and similar securities	5,902	-	-	-	5,902
	14,868	-	-	-	14,868
Financial Liabilities:					
Trade and other payables	25,717	-	-	-	25,717
Related party balances	160,580				160,580
	186,297	-	-	-	186,297

COMPANY 31 December 2012	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Financial Assets:					
Trade and other receivables	1,578	-	-	-	1,578
Related party balances	11,474	-	-	-	11,474
Cash, deposits and similar securities	19,755	-	-	-	19,755
	32,807	-	-	-	32,807
Financial Liabilities:					
Trade and other payables	33,988	-	-	-	33,988
Related party balances	118,089	-	-	-	118,089
	152,077	-	-	-	152,077

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 recievable:

GROUP 31 December 2013	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Financial Assets:						
Long term Reinsurance assets	6,123	4,531	1,592	-	-	6,123
Bonds (Government, public authority, listed & unlisted corporates)	5,049,888	264,888	1,884,498	2,874,756	-	5,024,142
Equity investments						
Money market instruments	143,262	143,262	-	-	-	143,262
Policy loans and other loan advances	482,259	-	424,898	-	-	424,898
Related party balances	-	-	-	-	-	-
Insurance and other receivables	230,915	230,915	-	-	-	230,915
Reinsurance contracts recevable	5,985	5,985	-	-	-	5,985
Deferred insurance acquisition cost	2,051	2,051	-	-	-	2,051
Cash, deposits and similar securities	580,675	580,675	-	-	-	580,675
Total undiscounted assets	**6,501,158**	**1,232,307**	**2,310,988**	**2,874,756**	**-**	**6,418,051**
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	6,809,709	98,819	1,070,949	1,330,628	4,309,313	6,809,709
-Investment contracts	4,313,530	-	-	-	4,486,071	4,486,071
Related party balances	3,041	3,041	-	-	-	3,041
Insurance and other payables	444,216	444,216	-	-	-	444,216
Short term insurance contract liabilities	22,739	22,739	-	-	-	22,739
Deferred reinsurance acquistion revenue	1,419	1,419	-	-	-	1,419
Total undiscounted liabilities	**11,594,654**	**570,234**	**1,070,949**	**1,330,628**	**8,795,384**	**11,767,195**

24. Risk management (continued)

Liquidity risk (continued)

GROUP 31 December 2012	Carrying value P'000	< 1 year P'000	1-5 years P'000	> 5 years P'000	Open ended P'000	Total P'000
Financial Assets:						
Long term Reinsurance assets	9,041	8,631	410	-	-	9,041
Bonds (Government, public authority, listed & unlisted corporates)	5,073,231	206,457	1,457,867	3,077,051	-	4,741,375
Equity investments						
Money market instruments	118,331	118,331	-	-	-	118,331
Policy loans and other loan advances	540,370	-	478,204	-	-	478,204
Related party balances	-	-	-	-	-	-
Insurance and other receivables	182,798	182,798	-	-	-	182,798
Reinsurance contracts recevable	1,816	1,816	-	-	-	1,816
Deferred insurance acquisition cost	463	463	-	-	-	463
Cash, deposits and similar securities	760,539	760,539	-	-	-	760,539
Total undiscounted assets	**6,686,589**	**1,279,035**	**1,936,481**	**3,077,051**	**-**	**6,292,567**
Financial Liabilities:						
Policy holders liabilities						
-Insurance contracts	5,592,072	118,278	932,684	1,170,116	3,370,994	5,592,072
-Investment contracts	7,374,142	-	-	-	7,853,461	7,853,461
Related party balances	4,157	4,157	-	-	-	4,157
Insurance and other payables	435,413	435,413	-	-	-	435,413
Short term insurance contract liabilities	8,953	8,953	-	-	-	8,953
Deferred reinsurance acquistion revenue	323	323	-	-	-	323
Total undiscounted liabilities	**13,415,060**	**567,124**	**932,684**	**1,170,116**	**11,224,455**	**13,894,379**

Policyholders insurance liabilities are allocated into the maturity profiles based on estimated present value of claims obtained through an actuarial modelling process.

Insurance risk

The principal risk the Group faces under non life insurance contracts is the actual claims and benefit payments or the timing thereof , differ from expectations. This is influenced by the frequency of claims, severity of claims and actual benefits paid. Therefore, the objective the Group is to have sufficient reserves availiable to cover these liabilities.

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

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

The Group principally issues the following type of general insurance contracts, motor, fire,accident, engineering,farming,legal insurance etc. In prior years, the company only issued legal insurance contracts.

The table below shows the concentration of non-life insurance contract liabilities by type of contract:

Concentration of Non-life insurance contract liabilities

31 December 2013	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Insurance	2,700	-	2,700
Short- term	20,039	(930)	19,109
	22,739	(930)	21,809

31 December 2012	Gross liability P'000	Reinsurance asset P'000	Net liability P'000
Legal Insurance	3,807	-	3,807
Short - term	5,146	(237)	4,908
	8,953	(237)	8,715

Claims development history

The following tables shows the estimates of cummulative incurred claims, including both claims notified and IBNR for each successive year at each reporting date:

Year	2013 P'000	2012 P'000	2011 P'000
At the end of the year	21,412	15,434	7,917
IBNR	2,931	1,693	906
	24,343	17,127	8,823

Prior to 2011, the non-life insurance business operated as an agency and did not underwite insurance business. Consequently no data has been presented.

Key assumptions

The non- life business's major business lines are legal insurance and general non- life short term insurance business. Underwriting legal insurance business commenced in 2011 and the general non- life insurance started in 2012. The key factors affecting the timing and uncertainty of the insurer's cashflows are average claims costs (maily driven by inflation), for each year.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity:

	Change in assumptions	Impact on gross liabilities	Impact on profit before tax P'000	Impact on equity after tax P'000
31 December 2013				
Average claims cost	+ 10%		2,044	1,594
31 December 2012				
Average claims cost	+ 10%		487	306

25. Fair value disclosures

Determination of fair value and fair values hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the company's assets and liabilities that are measured at fair value at 31 December 2013:

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

	Date of valuation	Quoted prices in active markets (Level 1) P'000	Significant observable inputs (Level 2) P'000	Significant unobservable inputs (Level 3) P'000	Total fair value P'000
Investment properties	31-Dec-13	-	-	300,681	300,681
Bonds - Government	31-Dec-13	2,025,468	-	157,966	2,183,434
- Corporate bonds - Listed and unlisted	31-Dec-13	1,658,943	-	1,207,511	2,866,455
Money market instruments	31-Dec-13	143,262	-	-	143,262
Equity investments	31-Dec-13	5,599,116	112,078	-	5,711,195
Policy loans	31-Dec-13	-	-	79,975	79,976
Other loan advances	31-Dec-13	-	-	402,284	402,285
		9,426,789	112,078	2,148,417	11,687,284
Financial Liabilities:					
Investment contract liabilities	31-Dec-13	-	4,313,530	-	4,313,530
		-	4,313,530	-	4,313,530

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2012:

	Date of valuation	(Level 1) P'000	(Level 2) P'000	(Level 3) P'000	Total fair value P'000
Financial assets measured at fair value					
Bonds - Government	31-Dec-12	1,356,455	-	194,037	1,550,492
- Corporate bonds - Listed and unlisted	31-Dec-12	2,002,592	-	1,520,146	3,522,738
Money market instruments	31-Dec-12	118,331	-	-	118,331
Equity investments	31-Dec-12	6,593,397	410,075	-	7,003,471
Policy loans	31-Dec-12	-	-	124,139	124,139
Other loan advances	31-Dec-12	-	-	416,231	416,231
		10,070,775	410,075	2,254,553	12,735,403
Financial Liabilities:					
Investment contract liabilities		-	7,374,142	-	7,374,142
		-	7,374,142	-	7,374,142

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

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

Level 2 valuation
Investment contract liabilities - Refer to the policy notes on how the fair valuation is determined.

Equity investments - The fair value of the assets is calculated based on units held and unit prices provided by the Fund Managers. The underlying funds in which the company invests in are unlisted hence the classification under Level 2.

Level 3 valuation
Investment Properties - Refer to note 4.4 on how fair value is determined.
Bonds and money market instruments - Refer to note 4.1 on the how the fair value is determined.

Policy loans and other loan advances - Refer to note 4.3 on how the fair valuation is determined.

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 movements in level 3 financial instruments measured at fair value

	Investment properties P'000	Policy loans P'000	Other loan advances P'000	Bonds P'000	Total Assets P'000
Financial Assets					
31 December 2013					
Opening Balance	-	124,139	416,231	1,714,183	2,254,553
Adjusted due to IFRS 13	277,583	-	-	-	277,583
Total gains/(loss) in comprehensive income	23,098	16,529	(871)	102,456	141,212
Acquisitions	-	29,832	-	-	29,832
Issues	-	-	-	-	-
Disposals	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-
Settlements/ Repayments	-	(90,523)	(13,077)	(451,162)	(554,762)
Closing balance	300,681	79,977	402,283	1,365,477	2,148,418
31 December 2012					
Opening Balance	-	139,785	6,755	1,801,990	1,948,529
Total gains/(loss) in comprehensive income	-	6,042	3,542	186,000	195,584
Reclassifications	-	-	402,136	(402,136)	-
Acquisitions	-	27,022	7,341	-	34,363
Issues	-	-	-	216,136	216,136
Disposals	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-
Settlements/Repayments	-	(48,710)	(3,543)	(87,806)	(140,059)
Closing balance	-	124,139	416,231	1,714,184	2,254,554

25. Fair value disclosures (continued)

	2013 P'000	2012 P'000
Gains and losses (realised and urealised) included in profit or loss		
Total gains or losses included in profit or loss for the period	141,212	195,584
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	11,654	1,861

Transfer to level 1	-	-	-	-	-
Not significant transfers	-	-	-	-	-
Significant transfers in	-	-	-	-	-
Significant transfers out	-	-	-	-	-
Transfer to level 2	-	-	-	-	-
Not significant transfers	-	-	-	-	-
Significant transfers in	-	-	-	-	-
Significant transfers out	-	-	-	-	-

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Properties	3	Discounted cashflow model (DCF)	Consumer Price index	Capitalisation rate (Refer to note 4.4)
Equities and similar securities	2	Current unit price of underlying unitised financial asset, multiplied by the number of units held	n/a	n/a
Policy loans	3	Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate (Refer to note 4.3)
Other loans		Discounted cashflow model (DCF)	Cashflow plus risk adjusted rate	Discount rate (Refer to note 4.3)
Bonds	3	Discounted cashflow model (DCF)	Risk free rate plus credit spread	Discount rate (Refer to note 4.1)
Investment contract liabilities	2	Current unit price of the underlying financial asset, multiplied by the number of units held	n/a	Unit price

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions
The following table shows the impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

Financial assets:	Carrying amount P'000	Effect of a 10% increase in capitalisation P'000	Effect of a 10% decrease in capitalisation P'000
Investment Properties	300,681	(23,453)	23,453

	Carrying amount P'000	Effect of a 2% increase in discount rate P'000	Effect of a 2% decrease in discount rate P'000
2013			
Policy loans	79,976	(1,248)	1,248
Other loan advances	402,283	(6,276)	6,276
Bonds	1,365,477	(21,301)	21,301
Total	**1,847,736**	**(28,825)**	**28,825**
2012			
Policy loans	124,139	(1,937)	1,937
Other loan advances	416,231	(6,493)	6,493
Bonds	1,714,183	(26,741)	26,741
Total	**2,254,553**	**(35,171)**	**35,171**

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.

25. Fair value disclosures (continued)

Investment Policy (continued)
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.

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 2013	Financial assets held at fair value through profit or loss	Loans & receivable	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at ammortised cost	Total P'000
Financial assets					
Bonds (Government, public authority, listed and unlisted corporates)	4,956,571	-	-	-	4,956,571
Money market instruments	143,262	-	-	-	143,262
Equity investments	5,711,195	-	-	-	5,711,195
Policy loans and other loan advances	482,259	-	-	-	482,259
Insurance and other receivables	-	238,677	-	-	238,677
Reinsurance contracts recevable	-	5,985	-	-	5,985
Deferred insurance acquisition cost	-	2,051	-	-	2,051
Cash, deposits and similar securities	-	580,674	-	-	580,674
Total financial assets	11,293,287	827,387	-	-	12,120,674
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	6,809,709	-	6,809,709
Long term policyholder liability - investment contracts	-	-	4,313,530	-	4,313,530
Related party balances	-	-	-	3,041	3,041
Insurance and other payables	-	-	-	451,978	451,978
Short term insurance contract liabilities	-	-	-	22,740	22,740
Deferred reinsurance acquistion revenue	-	-	-	1,419	1,419
Total financial liabilities	-	-	11,123,239	479,178	11,602,417
31 December 2012					
Financial assets					
Bonds (Government, public authority, listed and unlisted corporates)	5,073,231	-	-	-	5,073,231
Money market instruments	118,331	-	-	-	118,331
Equity investments	7,003,472	-	-	-	7,003,472
Policy loans and other loan advances	540,370	-	-	-	540,370
Insurance and other receivables	-	182,798	-	-	182,798
Reinsurance contracts recevable	-	1,816	-	-	1,816
Deferred insurance acquisition cost	-	465	-	-	465
Cash, deposits and similar securities	-	760,539	-	-	760,539
Total financial assets	12,735,404	945,618	-	-	13,681,022
Financial liabilities					
Long term policyholder liability - insurance contracts	-	-	6,610,531	-	6,610,531
Long term policyholder liability -investment contracts	-	-	8,734,851	-	8,734,851
Related party payables	-	-	-	4,157	4,157
Insurance and other payables	-	-	-	435,414	435,414
Short term insurance contract liabilities	-	-	-	8,953	8,953
Deferred reinsurance acquistion revenue	-	-	-	323	323
Total financial liabilities	-	-	15,345,382	448,847	15,794,229

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

26. Categories of financial assets and financial liabilities (continued)

COMPANY 31 December 2013	Financial assets held at fair value through profit or loss	Loans & receivable	Financial liabilities held at fair value through profit or loss	Financial liabilities measured at ammortised cost	Total P'000
Financial assets					
Trade and other receivables	-	1,251	-	-	1,251
Related party balances	-	7,715	-	-	7,715
Cash, deposits and similar securities	-	5,902	-	-	5,902
Total financial assets	-	14,868	-	-	14,868
Financial liabilities					
Trade and other payables	-	-	-	25,717	25,717
Related party payables	-	-	-	160,580	160,580
Total financial liabilities	-	-	-	186,297	186,297
31 December 2012					
Financial assets					
Trade and other receivables	-	1,578	-	-	1,578
Related party balances	-	11,474	-	-	11,474
Cash, deposits and similar securities	-	19,755	-	-	19,755
Total financial assets	**-**	**32,807**	**-**	**-**	**32,807**
Financial liabilities					
Trade and other payables	-	-	-	33,988	33,988
Related party payables	-	-	-	118,089	118,089
Total financial liabilities	**-**	**-**	**-**	**152,077**	**152,077**

27. Reclassifications

The alignment of the investment classes to Solvency And Asset Management (SAM) asset classes has resulted in reclassification within investment assets. Comparative information including relevant notes has been restated.

Statement of Financial Position

31 December 2012	Previously reported P'000	SAM Investment category alignment P'000	Restated P'000
Investments			
Investment property	495,798	(218,215)	277,583
Financial assets at fair value through profit or loss	12,517,189	-	12,735,404
Bonds (Government, public authority, listed and unlisted corporates)	5,475,367	(402,136)	5,073,231
Equity investments (Local and foreign)	6,786,531	216,940	7,003,471
Policy loans and other loan advances	138,235	402,136	540,371
Money market instruments	117,056	1,275	118,331

01 January 2012 P'000	Previously reported P'000	SAM Investment category alignment P'000	Restated P'000
Investments			
Investment property	361,466	(104,931)	256,535
Financial assets at fair value through profit or loss	9,756,100	-	9,861,031
Bonds (Government, public authority, listed and unlisted corporates)	4,499,728	(125,208)	4,374,520
Equity investments (Local and foreign)	4,896,650	98,434	4,995,083
Policy loans and other loan advances	146,540	125,208	271,748
Money market instruments	213,182	6,498	219,680

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-third annual general meeting of Botswana Insurance Holdings Limited will be held at Gaborone Sun Conference Centre, Gaborone, Botswana on 27 June 2014 at 10:00hrs for the following business:

Ordinary business

1. To read the notice convening the meeting.

2. Ordinary Resolution 1:

To receive, approve and adopt the audited financial statements for the year ended 31 December 2013 together with the reports of the statutory actuary and auditors.

3. Ordinary Resolution 2:

To approve the dividends declared by the directors on 20 August 2013 and 12 February 2014.

4. Ordinary Resolution 3:

To elect directors in accordance with the provisions of the Articles of Associations of the company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election

a) Mr Heinie Werth
b) Ms Batsho Dambe-Groth
c) Mr Chandra Chauhan

5. Ordinary Resolution 4:

To approve the remuneration of the chairman and non-executive directors for the year ended 31 December 2013.

6. Ordinary Resolution 5:

To approve the remuneration of the auditors for the year ended 31 December 2013.

7. Ordinary Resolution 6:

To appoint Ernst & Young as auditors for the ensuing year.

Voting and Proxies

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. The proxy need not be a member of the Company.

2. The instrument appointing such a proxy must be deposited at the registered office of the company not less than 48 hours before the meeting.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

By order of the Board

Rorisang Modikana
Company Secretary

A shareholder/s is entitled to attend and vote at this Annual General Meeting is/are entitled to appoint one or more proxies (who need not to be shareholders of the company), to attend, speak and vote on behalf of the shareholder/s at the Annual General Meeting.

BIHL GROUP

PROXY FORM

To be completed by certificated shareholders with "own name" registration
For use at the Annual General Meeting to be held on at 10:00hrs on, 27 June 2014 at Gaborone Sun, Conference Centre, Botswana

I/We ____

of ____

being a shareholder/s of the above mentioned company, holding   number of shares hereby appoint:

1. ____ or failing him/her
2. ____ or failing him/her
3. the Chairman of the Annual General Meeting

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at Gaborone Sun Conference Centre, on 27 June 2014, at 10:00hrs, 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 2013			
2	Ordinary resolution number 2 - to approve the dividends declared by the directors on 20 August 2013 and 12 February 2014			
3	Ordinary resolution number 3 - to elect directors in accordance with the provisions of the Articles of Associations of the company. The following directors retire by rotation at this meeting and, being eligible, offer themselves for re-election 3a) Mr Heinie Werth			
	3b) Ms Batsho Dambe-Groth			
	3c) Mr Chandra Chauhan			
4	Ordinary resolution number 4 - to approve the remuneration of the chairman and non-executive directors			
5	Ordinary resolution number 5 - to approve the remuneration of the auditors for the year ended 31 December 2013			
6	Ordinary resolution number 6 - to appoint auditors for the coming year to 31 December 2014			

Signed at ____________________ on the ____________________ day of 2014

Signature ____

EXPLANATORY NOTES TO RESOLUTIONS FOR THE ANNUAL GENERAL MEETING

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 2013, together with the reports of the valuator and the auditors contained in this annual report.

Election of directors

In terms of the Company's Articles, one third of the Directors are required to retire at each annual general meeting and may offer themselves for re-election. The Articles also provide that the appointment of any person as a Director of the Company requires confirmation by shareholders at the first annual general meeting of the Company after the appointment of such person as Director.

Shareholders' Calendar

Reporting

Financial year end	31 December
Announcement of financial year end 31 December 2013 results	05 March 2014
Annual report sent on or about	06 June 2014
Annual General Meeting	27 June 2014
Interim results published	August 2014

Dividends

2013 Final dividend payment	11 April 2014

Notes to form of proxy

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

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

3. Completed forms must be lodged with or posted to the company's registered office, Fairgrounds Financial Centre Plot 50374, Off Machel Drive or PO Box 336, Gaborone Botswana, or faxed +267 3973 657 for the attention of the company secretary, so as to be received by no later than 48 hours before the time appointed for the holding of the Annual General Meeting (excluding Saturdays, Sundays or public holidays) or any adjournment thereof.

4. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Any alteration made to or on this form of proxy must be initialled by the signatory/ies.

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